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MINIMUM WAGE RESTORATION ACT OF 1987

HEARINGS

BEFORE THE

COMMITTEE ON
LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

S. 837

TO AMEND THE FAIR LABOR STANDARDS ACT OF 1938 TO RESTORE THE MINIMUM WAGE TO A FAIR AND EQUITABLE RATE, AND FOR OTHER PURPOSES

JUNE 10, JULY 17 AND 23, 1987

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MINIMUM WAGE RESTORATION ACT OF 1987

WEDNESDAY, JUNE 10, 1987

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The Committee met, pursuant to notice, at 10:05 a.m., in room SD-430, Dirksen Senate Office Building, Senator Edward M. Kennedy (Chairman) presiding.

Present: Senators Kennedy, Hatch, Cochran, Quayle, Metzenbaum, Dodd, and Adams.

OPENING STATEMENT OF SENATOR KENNEDY

The CHAIRMAN. We will come to order.

If there is a sharpness in the questions today, it is a result of last night's game between the Celtics and the Lakers. I still have not recovered from that, Mr. Secretary, and you are the first one in our sights here this morning, but I will try and restrain myself from inappropriate comments.

Today, we begin the hearings on the Minimum Wage Restoration Act of 1987. One of my top priorities on this Committee is to see the minimum wage once again be a living wage.

Since the first minimum wage was signed into law 49 years ago, Congress has adjusted it six times. Each time we have heard dire prophecies of unemployment, inflation, and business failures. And six times these prophecies have been false, and America has prospered.

Today we will hear these prophesies again, and the Committee is once again faced with the task of separating the wheat from the chaff and striking the proper policy balance as we attempt to improve the lives of millions who labor at and near the minimum wage.

Action is necessary because today our wage floor has buckled and is not a fit foundation on which to build a life nor support a family. The purchasing power of the minimum wage has eroded 27 percent since the last increase and will continue to erode until Congress acts to restore it. In the same time, the value of stock on Wall Street has tripled, executive compensation has skyrocketed, as have health care costs.

This is the first of several hearings on this important issue, and today we will hear from the Administration, groups supporting an increase, groups opposing an increase, and most importantly we will hear from workers trying to make ends meet on the minimum wage.

As this issue is debated, this Committee will be presented with an enormous amount of statistical data, numbers, graphs, computer printouts, and let us not lose sight of the plight of the people—the millions who perform our Nation's most thankless tasks, and for the most thankless pay.

I hope the Committee will carefully weigh the impact of our action on the minimum wage employers and employees and the consequence of our inaction for the five to six million men and women who make up the minimum wage work force.

Senator Hatch?

OPENING STATEMENT OF SENATOR HATCH

Senator HATCH. Thank you, Mr. Chairman.

Mr. Chairman, there can be no doubt that your bill, S. 837 will have a profound effect on thousands of our Nation's current and future workers. We have to determine what that effect is going to be, and to that purpose, I welcome today's hearing and of course the subsequent hearings on this very important topic.

The minimum wage has become a symbol of our citizens' concern for the working poor, a concern not one of us in this room does not share.

We will hear this morning from two individuals who struggle every day to make ends meet and who personify the image of proud, hardworking Americans.

Let me say, Mr. Chairman, that if I believed your bill or any of the other proposals to increase the minimum wage would truly help the working poor, I would support it. Unfortunately, the evidence I have studied this far suggests exactly the opposite. An increase in the minimum wage is a mandated increase in labor costs which will result in price increases, lower rates of business expansion in certain industries, disemployment, or some combination of all three of these.

For example, Mr. Britt Mathwich, on behalf of Homestead, Inc., which operates two small country homes in Midway, Utah, wrote to me and he said, "We operate on a very low profit margin, with labor costs and employee benefit costs reaching the maximum percentages already. We are already priced at the top of our market; the result is obvious."

So I cannot support this bill if it will jeopardize jobs in Utah or anywhere else, for that matter.

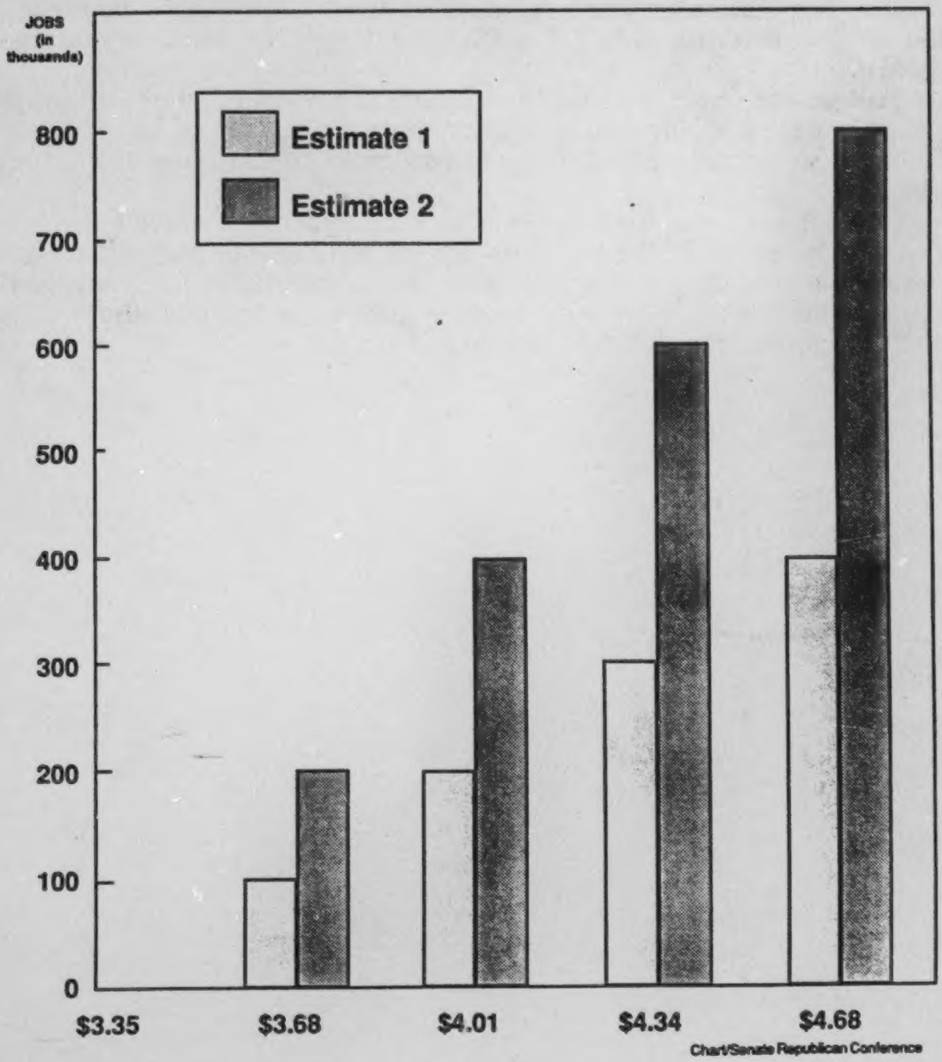
Economists are virtually unanimous on the fact that either current or future jobs will be lost if the minimum wage is raised—jobs which for the most part and for most of us have been the first rung of the employment ladder.

This first chart here actually shows two estimates of the projected job loss from an increase in the minimum wage. The figures are based on the report of the Minimum Wage Study Commission and on the testimony of the Commission's chief economist, Dr. Charles Brown, to the House Subcommittee on Labor Standards.

[The chart referred to follows:]

CHART 1.

Projected Job Loss from an Increase in the Minimum Wage



Chart/Senate Republican Conference

Senator HATCH. As you will note, even the more conservative estimate places job loss at 400,000 given a 40 percent increase in the minimum wage. The second estimate of 800,000 put in perspective represents more than 12 percent of currently employed teenagers in our country.

Now, even if this level of disemployment is acceptable to some there is still no guarantee that the working poor, those who we are trying to help with this legislation, will not be among the job losers. Legislation to increase the minimum wage cannot be targeted to the working poor. It applies to the labor force across-the-board.

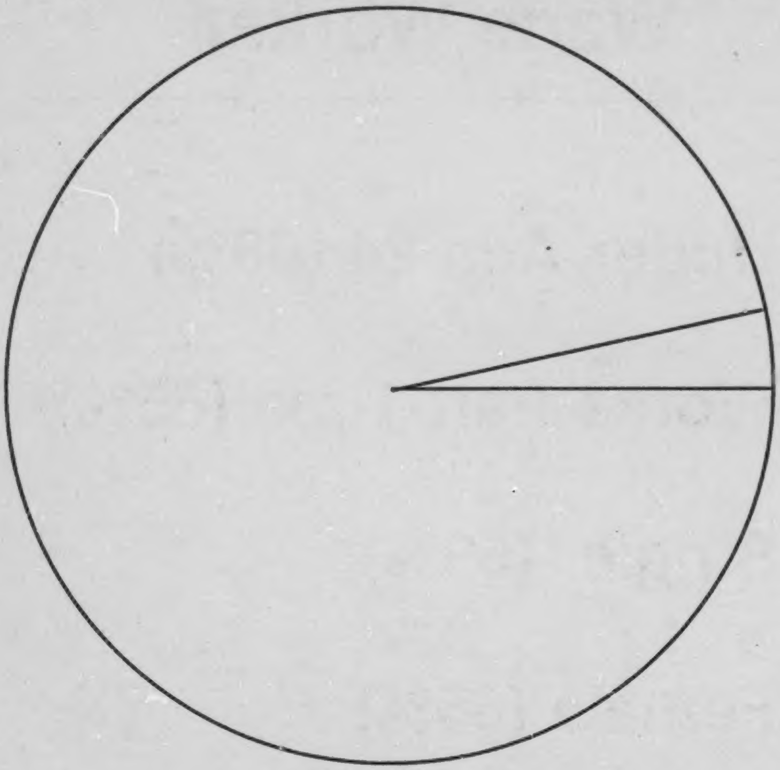
The second chart that we have shows the proportion of minimum wage workers to our Nation's total labor force. Out of the 110 million workers, only about 4.4 percent actually earn the minimum wage.

Chart 3 indicates that the typical minimum wage earner is not a head of household. The big majority are high school and college-age young people; they are single, they work part-time. An additional 28 percent are married, with spouses present in the household.

[The charts, 2 and 3, referred to follow:]

CHART 2.

U.S. Civilian Labor Force



OF OVER 110 MILLION WORKERS, ONLY 4.9 MILLION (4.4%) EARN THE MINIMUM WAGE

Source: Current Population Survey, 4th Qtr 1986

CHART 3.

The Typical Minimum Wage Worker

- Under Age 24 (58%)
- Works Part-Time (65%)
- Single (59%)
- Female (65%)
- White (83%)

Chart/Senate Republican Conference

Senator **Hatch**. An overwhelming majority of minimum wage earners are white.

Inasmuch as the working poor are a small percentage of minimum wage workers, the odds are heavily against any benefits accruing to them. To the extent that their skills are insufficient to enable them to compete for jobs at a higher wage level, they could ultimately suffer even greater hardship as a result of a minimum wage increase, or minimum wage increases, as the Chairman's bill contemplates.

During our joint tenures on this Committee, I have agreed with the Chairman on one very important point: There is a continuing, critical need for training and education. The only job security there will be in the future is an individual's own ability to adapt in accordance with our society's economic changes. The market for workers without skills is declining, and an increase in the minimum wage will only accelerate that particular decline.

Both government and the private sector have roles to play in providing appropriate education and training opportunities for everyone, including minimum wage workers eager to provide better lives for themselves and their families.

I will continue to support this particular approach—education and training. The impact of this policy will be positive, it is positive and long-lasting.

By contrast, a proposal to increase the minimum wage asks us to ignore the substantial effects such an action would have. But this is not a Hobson's Choice. I vote that we consider the problem more carefully and come up with a way to help people in need without hurting others in the process. I believe we can do that, and I believe we should do it. I believe that an increase in the minimum wage is something that sounds good, but in the final analysis is going to take away opportunities from people to enter into the job market and to go on from there. And I think that the past experience has proven that to be true. Most economists, I think, will agree with that.

Thank you, Mr. Chairman.

The **Chairman**. The Senator from Mississippi.

OPENING STATEMENT OF SENATOR COCHRAN

Senator **Cochran**. Mr. Chairman, I thank you for recognizing me. Let me just say that I am glad we are having this hearing. I think it is important for us to review the minimum wage law from time to time, and I think it is appropriate for us to do it in some depth, and with care and with the hope that we can come up with some adjustments if we find that adjustments are needed, which do not legislate teenagers out of the job market and changes which do not close a lot of small businesses, but which may be justified by the facts and the evidence before our Committee.

So I come to this Committee with an open mind, Mr. Chairman, in hopes that we can try to find answers to the questions that are being raised about the minimum wage. There has not been an increase since 1981; we are aware of that. But I would like to know what the impact would be on the unskilled labor force, whether this is going to push us more quickly toward an industrial society where we operate with machines rather than people, what that means for rural America, where we are trying to attract industries and job opportunities into an area that is becoming more capital-intensive. The farming and agriculture sectors of America today are depending more and more on mechanization, on investments of large sums of money, and not on people anymore. And I wonder about the impact of that on the quality of life throughout the less densely settled areas of our country.

So I think these are questions that we do need to explore very carefully, and I compliment you for calling the hearing and for the range of witnesses who will be testifying before our Committee today.

Thank you.

The CHAIRMAN. Thank you very much.

The Senator from Indiana.

Senator QUAYLE. Thank you very much, Mr. Chairman.

I ask unanimous consent to insert my statement in the record.

The CHAIRMAN. It will be so included.

OPENING STATEMENT OF SENATOR DAN QUAYLE

Senator QUAYLE. In a period of large federal budget deficits, it is both economically and politically prohibitive to undertake major new government spending programs. This is no doubt the reason why the proponents of expanded entitlement programs are now attempting to advance their social policy goals by requiring employers to assume the costs of providing additional benefits to workers. In the past, it may have been possible for employers to pass on some of the cost of mandated benefits to the consumer in the form of higher prices. In most industries, this is no longer possible.

One cost proposed to be borne by business is the increase in the minimum wage, which has been introduced by the Chairman as S. 837. I believe the objective of raising the minimum wage—to improve the welfare of the lowest wage workers—is a good one. I am concerned by this measure not because of the good that it proposes to do, but because of the inadvertent harm that this bill and proposals like it may inflict on employment opportunities and our international trading position.

Legislators like to increase the minimum wage because it's a way we can do something to help the poor. Yet the level of the minimum wage can make the difference between keeping marginal workers on the job or adding new ones. A minimum wage increase is not free. Like everything else in our economy, these benefits cost money, and they entail a tradeoff: higher wages and benefits for some will mean jobs lost for those workers who are trying hardest to break into the labor market.

A higher minimum wage will also affect real inflation and our international economic position vis-a-vis our major trading partners. The vast majority of U.S. businesses are now facing severe price competition in both domestic and international markets. The cost of additional mandated employee benefits will put strong upward pressure on employee compensation costs. Since compensation costs are a major component of the total costs of production—roughly some two-thirds of the gross domestic product of non-financial corporations—additional mandated benefits will make it more difficult for U.S. businesses to compete in international markets.

Economists generally agree that increases in labor costs have an adverse impact on employment, although there is much difference of opinion regarding the magnitude of that impact. The fact is that wage levels can adversely impact on employment. What level of the minimum wage will produce the greatest overall benefit to the working poor is a judgment call. I am not saying that no increase in the minimum wage is needed, but I want to make sure that the increase in it is not too great.

Studies and projections have tended to analyze increases of about 10 percent in the current minimum wage of $3.35 an hour, but the combined effect of bills to amend the Fair Labor Standards Act now before this Committee will be far more dramatic than a 10 percent hike in the minimum wage. I have attached a chart to my statement, a copy of which is on the poster behind me. This chart shows that, as of January 1, 1989, the combined increase in cost to employers imposed by S. 837, the Minimum Wage Restoration Act, and S. 1265, the Minimum Health Benefits for All Workers Act, will range from 44 percent for a full-time minimum-wage worker to 62 percent for a half-time minimum-wage worker.

The increase of minimum labor standards will have an inevitable impact on employment. I firmly believe that a 62 percent increase in the minimum labor cost is too great. I will not prejudge other proposals to increase the minimum wage, but I think we should be careful to balance the good of the minimum wage with the harm done by increasing it by too large an amount.

The U.S. plays an important role in the global economy. But lately, Americans have come to perceive that we may be at a serious competitive disadvantage relative to such nations as Japan and Korea, and that imports from such newly industrialized countries as Brazil and Mexico are hurting both our economy and our manufacturing base. There is some truth to the sentiment that we ourselves are to blame for our inability to keep ahead of our international competitors. But, on the other hand, the fact that some Western European nations have extensive social programs financed through payroll taxes and mandated employment costs does not mean that the U.S. can adopt similar programs without experiencing any deterioration in the competitive position of American business and its capacity to create new jobs.

In the past four years, our economy created over 12 million jobs, most of them in small businesses. Last year alone, over 700,000 new businesses were started in the U.S. These are not all Fortune 500 corporations; rather, many are small ones, launched by ordinary Americans who risked their life savings to start a business. It is these job-generating businesses that are most sensitive to increases in fixed labor costs. If, to underwrite its social objectives, Congress is determined to raise taxes indirectly, then we should institute a system to quantify what these increases on American business will cost society, as well as how they will benefit employees.

Surely we should not enact legislation to impose additional labor costs on business without first seriously and objectively assessing its impact on employment and our international competitiveness.

That has not been done here, Mr. Chairman. I think it is important for us to have an objective analysis of the impact that these proposals will have on the economy, on employees and on business—and particularly small business.

[End of opening statement.]

Senator **QUAYLE**. I would like to welcome Secretary Brock. I have read his testimony and I am sure he will be very forthright in giving us an historical view of the minimum wage, some of his ideas, and where this Committee can and cannot go.

Personally, I have no problem reviewing the whole minimum wage law. My own viewpoint as concerns the bill before us is that indexing should be discarded.

I also hope that we might give some thought to a youth differential. There has been a great deal of debate on both sides as to whether it will work. Certainly, it would be interesting to try it for a couple of years and then go out there and see who is right. And I think reasonable people can disagree on what the impact is going to be.

Times have certainly changed from when the minimum wage was first advanced. There is no doubt about it that the 1980s are different than the 1930s. Going back and looking at the creation of the minimum wage law, we had a scarcity of jobs and there was intense competition for jobs at that time by heads of households. And since we did not have a minimum wage, there was competition that drove the prices down to a very low level. Because of that, we established the Fair Labor Standards Act and established what we thought would be at least a ground.

The targets then were primarily heads of households, and the problem was a lack of jobs. Now we have a different situation, where the dynamics are different. Today, we do not have a lack of jobs. Our critical problem is to make people employable by giving them the necessary skills and education.

Furthermore, the people that are paid according to the minimum wage are not primarily heads of households. Very few heads of households are served by the minimum wage.

The whole dynamics have changed dramatically from the time of the creation of minimum wage. I congratulate the Chairman for having the hearings.

I would urge this Committee to consider the potential disemployment effects of all of the mandated benefits combined. We have a large agenda in this Committee beyond minimum wage, including minimum health benefits, occupational disease notification, plant closing notification, and parental leave. All these are in some way going to place an additional cost on the employer.

By themselves, certainly, the costs will not be that much and something that the private sector can endure. But taken together, the mandated benefits are a tremendous increase on the employer.

I would like to share with you just one example the potential increase on the employer. I have a chart right here.

The **CHAIRMAN**. I cannot believe I am the only one without charts today.

Senator **COCHRAN**. I do not have any charts.

Senator **QUAYLE**. You know, that may be a first. That is a first.

The **CHAIRMAN**. It is—and the last. [Laughter.]

Senator Quayle. And do you know what? We might survive without them.

I only have one chart this time, but let me just go through and look at the hourly labor cost increase per employee under the two amendments that have been proposed by our Chairman under the Fair Labor Standards Act.

We extracted our numbers from the Congressional Record and from Senator Kennedy's data, so I do not believe that they will be on the high side as far as inflating what the increase would be, concerning the minimum wage and minimum health benefits.

But if you just look at the far left part of the chart and add the minimum wage effective January 1 of '89 which raises the minimum wage by 90 cents to the mandatory health care coverage, which adds another 59 cents, it makes a total increase of $1.49, which would be a 44.4 percent increase on those people that are on minimum wage. Now, that is a fairly health increase.

But you know, 62 percent of the people that are on minimum wage are part-time employees; they are not full-time employees.

So if you look at the middle chart, which is $1,500 annually and basically 30 hours a week, and you add up the same ingredients to increase the minimum wage, the mandatory health care coverage of $1.69 totals a 50 percent increase. And then if you take someone who works just 20 hours a week, the increase to the employer is going to be a rather astounding 62 percent increase.

Now, I do not think anybody can argue the fact that the minimum health benefits package and minimum wage, which are both amendments that have been submitted to the Fair Labor Standards Act, will have a tremendous disemployment effect on the private sector.

Now, I think that we are going to have to look, as I tried to get this Committee to do earlier, at what the employment impact would be in aggregate. I was defeated in the Committee. I have introduced a resolution, Senate Resolution 218, with which the Chairman of the Small Business Committee has joined me to examine this employment impact.

Mr. Chairman, I look forward to Secretary Brock's and others' testimony. I look forward to having a good, forthright discussion of the minimum wage issue and other issues that will be on our agenda, but think we are going to have to be very careful as to how we proceed. I hope that we do not do it in a knee-jerk fashion and I hope we can in fact be somewhat creative. And as we proceed with the amendments in the Fair Labor Standards Act, particularly minimum wage, we ought to do it a little bit differently and with some innovation and try some things that have been talked about to see what they would do.

I thank the Chairman.

The Chairman. Thank you very much.

Well, you can tell, Mr. Secretary, there is some difference on this Committee.

I read your testimony with very considerable interest. I think it is probably worthwhile to point out, though, that you actually supported an increase in the minimum wage in 1974 as a Member of the United States Senate, as some 69 other Senators did as well.

And I do not know whether I should listen to your testimony or read your speeches from 1974 in support of the minimum wage.

In any event we are glad to have you here. Secretary Brock has served with us in the Senate. I personally have enjoyed working with him very much. I think we have made some progress in some important areas of public policy. We always value your testimony, and we look forward to not only hearing you today, but working with you in the future.

Mr. Secretary.

STATEMENT OF HON. WILLIAM E. BROCK, SECRETARY OF LABOR, U.S. DEPARTMENT OF LABOR, WASHINGTON, DC

Secretary **Brock**. Thank you, Mr. Chairman.

I should begin by saying that at least on one issue, we agree. We are both a little bit miserable this morning. I thought when Larry Bird hit that three-pointer last night that the Celtics had it made.

The **Chairman**. I know.

Senator **Quayle**. I want the record to note that he is from Indiana. [Laughter.]

The **Chairman**. And that he is well above the minimum wage. [Laughter.]

Senator **Quayle**. But when he was in French Lick, Indiana, doing things there——

The **Chairman**. All right. Mr. Secretary, proceed.

Secretary **Brock**. I thank you for this hearing, for your interest in the subject, and for the opportunity to have this conversation with you.

I guess I would like to begin by saying that I really believe that we all seek the same thing for that group of people that are much disadvantaged in this country. The question is not whether we do something, but how, and whether we can make a difference for people who have not had an adequate opportunity to develop their skills and achieve the economic progress that so many other Americans have.

I think it is important to begin by pointing out that we really do believe that the proposal before us today is bad public policy, especially in the context of today's economy. It will, in our opinion, hurt younger workers, or potential workers. It will not, in our judgment, reduce poverty, and we oppose it.

The minimum wage was first enacted as a part of the Fair Labor Standards Act in 1938. The historical context of its enactment is telling: the work force of that era was largely unprotected by wage and hour statutes, or by child labor prohibitions. Sweatshops and exploitation were rampant.

However, an array of legislation was enacted during this time, addressing the various problems affecting workers. The National Labor Relations Act guaranteed the right to organize and bargain collectively. The Fair Labor Standards Act treated a number of the ills I noted previously. It was intended to set a floor for wages and a ceiling for hours.

The minimum wage has been raised some 15 times since its initial passage, with the last increase phased in over four years, from

1977 to 1981. Each time the increase has been considered in the context and economic climate of its time.

I will talk now about the current economic climate; the one in which this increase is proposed. Since 1982, some 14 million new jobs have been created. But lately, this job creation has been unfairly and incorrectly criticized; the claim that most of these jobs are in the sub-poverty range just is not true.

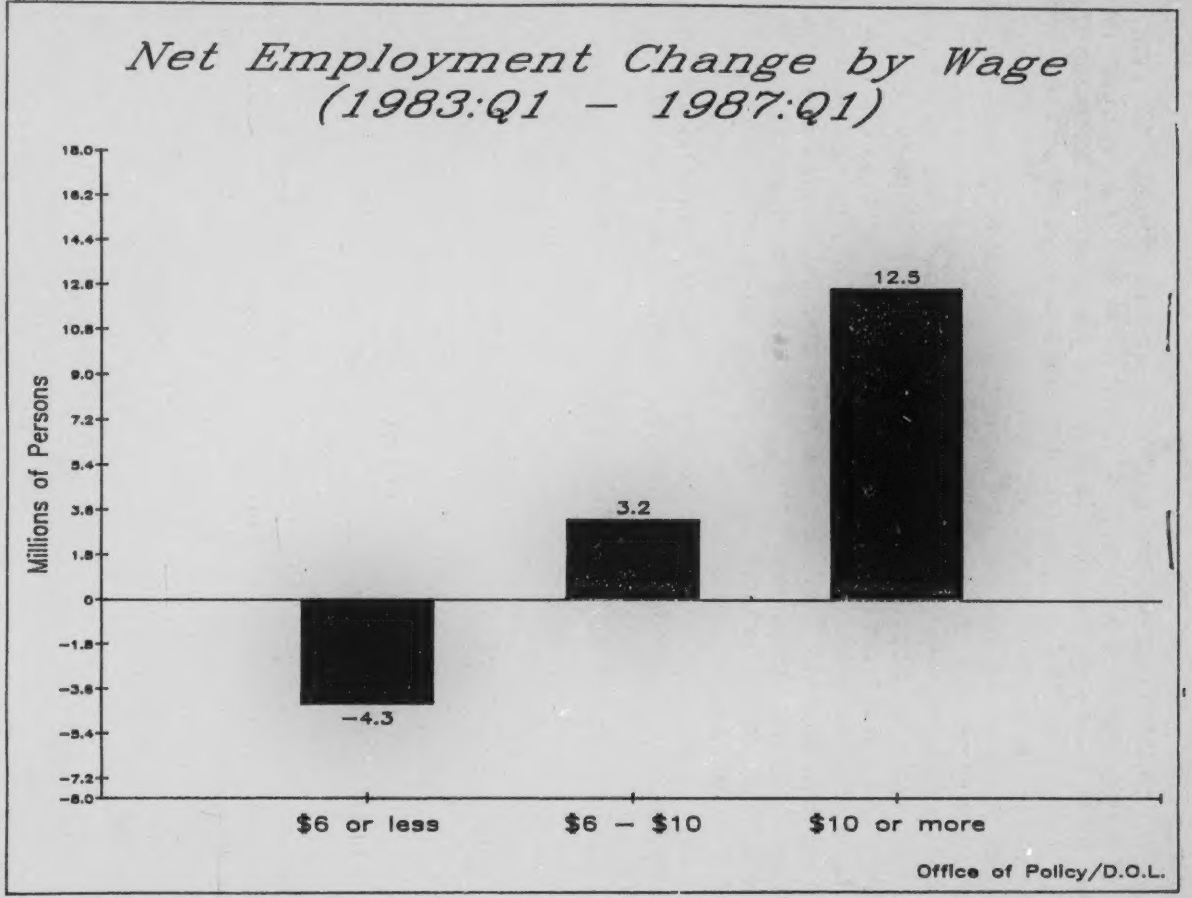
Yes, some of the jobs are low-paying; of course they must be. But low paying jobs are the exception, not the rule.

Let me share some statistics with you. Since 1982, jobs paying $10 an hour or more have increased by nearly 50 percent, or 12-plus million hard, specific jobs.

From February of 1986 to February of 1987, during this 12-month period year alone, 2.8 million jobs were created, and of those, over 40 percent, two out of every five, were in the managerial and professional specialty, which is the highest wage range classified by the Bureau of Labor Statistics.

In contrast, since 1982, the number of workers earning the minimum wage or below has declined by about 1.5 million, or 25 percent.

[The information supplied follows:]



Net Employment Change by Wage
(1983:Q1 – 1987:Q1)

Office of Policy/D.O.L.

Secretary **Brock**. In other words, in a huge expansionary period, for five consecutive years, the only category of jobs that has been reduced in number, and relative share of the market, is the minimum wage category. This is important.

In contrast, jobs which require post-secondary skills are growing at a dramatically higher rate than those which require title, or virtually no skills. What does it have to do with the minimum wage, then?

It defines, I think, the parameters of the debate; where we are, where we will direct our attention, and what resources will be necessary. Given the current job creation atmosphere and the increasing demand for a highly skilled and highly literate labor pool, we are indeed facing a crisis in this country. That crisis is the prospect of entering the next century with a bifurcated society—not simply divided between those who are employed and unemployed, but more importantly, divided between those who are employed and those who are unemployable.

In other words, there will be one group of people with jobs who are happy, productive, and hopefully well-paid—certainly, well-paid—and another group with no skills and little hope of ever getting a job, any job.

Gone are the days when functional illiteracy can be disguised by an unskilled but high-paying assembly line job. A one-way ticket out of poverty today and into the year 2000 and beyond, is skills; basic literacy and job skills.

We are putting our money where our mouth is, this Committee, this Congress, this Administration, with our proposed $980 million worker adjustment package and our $800 million-plus welfare youth training proposal. These will be in addition to our existing job training program.

As I said before, the issue is not the minimum wage; it is minimal skills.

I do not think there has been a newspaper in the country that has not run a story in the last few months about jobs going begging somewhere across the Nation. USA Today ran a front-page story just last week, about the urgent need for summer help on Cape Cod. Obviously, these are not jobs in which one spends a career. Instead, they are summer jobs filled by kids—the minimum wage population. Yet, the imbalance between the supply and the demand for this type of labor has driven the wage rates paid in these jobs far above the minimum. In other words, the market works.

On a different side of the issue, the Washington Post recently ran an article about a cooperative effort between Northern Virginia and Texas, aimed at finding qualified workers to fill Virginia jobs. Here on this side of the Potomac, in our Nation's Capital, minority youth unemployment remains around 40 percent, yet a spokesperson for the District's job services office said recently, "We just do not have the people to fill vacant jobs."

This month, the Wall Street Journal contained an article entitled, "For the New England Story, Turn to the Help Wanted Ads." It told the well-known story of New England's economic boom and the similarly familiar labor shortage lament. Said a Federal Reserve Bank economist, "Workers are harder to keep, and they cost more."

While this story is played out in many areas across the country, it surely is not universal. We do not have our heads in the sand. There is poverty in this country, and there is unemployment. While both are improving, there are persistent trouble spots.

Youth unemployment is nearly three times the overall unemployment rate. Minority youth unemployment is more than six times the overall unemployment rate. That is insane.

The worst thing we could do is to exacerbate rather than solve this problem. But, that is exactly what we believe the proposal before this Committee would do if the minimum wage is increased to the degree specified without taking account of those young people who lack the entry-level skills and can only acquire them by being employed.

It is the consensus of studies by economists and researchers of every political stripe, from Professor Sar Levitan of the George Washington University, to the economists at the Heritage Foundation, that a minimum wage increase results in a loss of job opportunities.

Not all of these are firings. They include jobs which go unfilled or would have been created in the absence of an increase in the minimum wage.

All you have to do is to ask local small business operators about it, and the economic theory becomes reality. And these are the folks, small business men and women, who are responsible for 70 percent of all the new job creation in this country. That is the American job machine, American small business.

Roughly 100,000 to 200,000 job opportunities are lost for each 10 percent increase in the minimum wage. Dr. Charles Brown, senior economist for the Minimum Wage Study Commission authorized by this Congress, echoed this estimate in testimony in April. The current proposed increase is a 38 percent increase. That is a potential job loss, worst case, I grant, of up to 800,000 jobs.

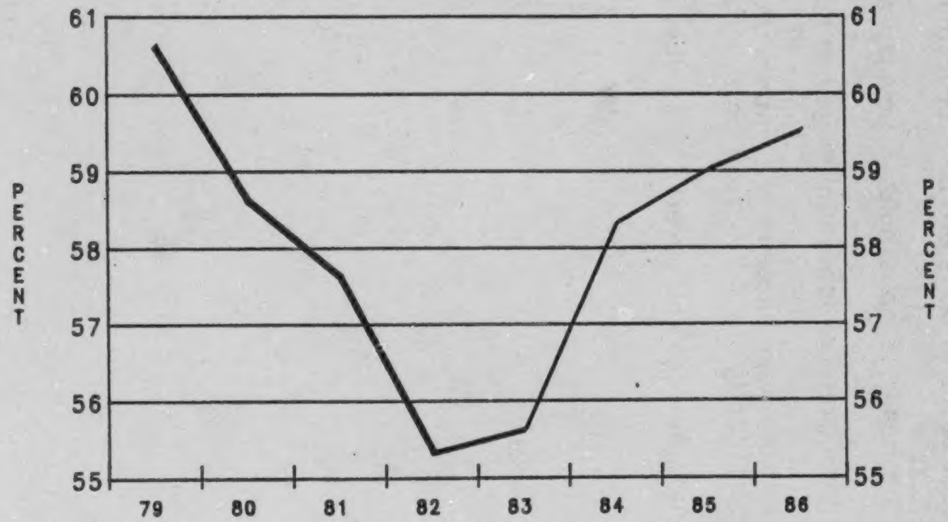
Where will that job loss fall? Well, if you look at the minimum wage population, two-thirds are under the age of 25; 60 percent are single; 85 percent are not heads of household; 65 percent are part-time.

The stereotype of the teenager working a couple of hours a day after school for the minimum wage is not far off the mark. These are the kids that are getting their first taste of work and the self-esteem which a paycheck brings. Their pay can be counted in both wages and job experience.

With this job experience, they are investing in themselves, increasing their own human capital. As they remain in the work force, their wages will rise. We need to make every effort to ensure that they have the opportunity to get this first job. We cannot dim their chances by raising the entry wage. That is why we have supported for several years a youth wage differential.

[Information supplied follows:]

PERCENT OF 16 - 24 YEAR OLDS WITH JOBS



Office of Policy/D.O.L.

Secretary **Brock**. Let me turn our attention to the problem of those in poverty. The discussion of welfare reform has shed much light on the pathology of poverty. There is clearly an array of factors at work. Unfortunately, raising the minimum wage could have and probably will have an adverse effect, if any at all.

Just one percent of all workers are both poor and earn the minimum wage.

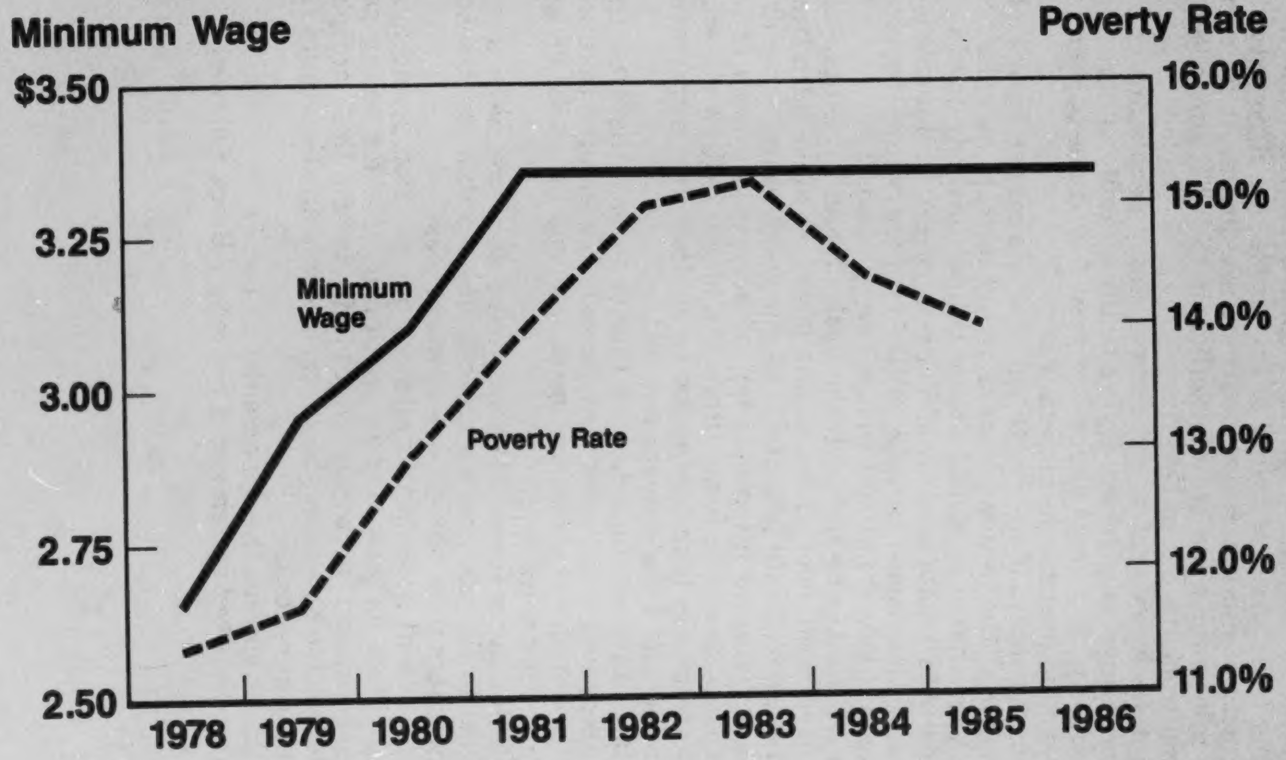
Nearly half the heads of household in poverty are not even in the labor force.

Historically, increasing the minimum wage has had no impact on poverty.

During the last four-year phase-in of a minimum wage increase, the poverty rate actually began to rise for the first time in the post-war period.

[Chart on minimum wage and poverty rate follows:]

Minimum Wage and the Poverty Rate



DOL/Office of Policy

Secretary **Brock**. We need to ask ourselves what it is we are trying to do. Are we trying to lift people out of poverty? The large majority of minimum wage earners are single. At its current rate, the minimum wage is fully sufficient to lift a single person, year-round working, out of poverty.

But we know that most of these single people are kids living at home. So we ask, are we trying to lift a family of three or four out of poverty. We know there are very few single-earner families of three or four at the minimum wage.

Furthermore, if we are to lift a single-earner family of four out of poverty, the minimum wage would have to be raised to over $6 per hour this year. And I do not believe anybody would argue that that would create enormous disemployment for hundreds and hundreds of thousands, perhaps millions, of entry-level people.

Again I ask, What is it we are trying to do.

If we are trying to break the back of youth unemployment, then we need to do everything in our power to make sure the economy continues to create jobs and that our young people stay in school. If we are trying to lift people out of poverty, we need to make sure that they have the basic literacy and job skills they will need to move from one high-paying job to another in a workplace which is changing right underneath our feet.

The sum and substance of this is to say that the times have changed, and the target has moved. We cannot take any action which would force our young people out of work, or keep them from getting work.

At the same time, we must make sure we have a work force trained to fill the jobs we are creating, so that we are not importing workers from abroad or exporting jobs.

As you will note, Mr. Chairman, our position is and must be one of emphasis on jobs, and in particular, jobs for young people. We cannot support proposals which will lessen that prospect. If we could resolve this issue, however, the conversation could then go on to other questions.

I thank you for the opportunity to testify.

[The prepared statement of Secretary Brock follows:]

STATEMENT BY WILLIAM E. BROCK
SECRETARY OF LABOR
BEFORE THE
SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES

June 10, 1987

Good morning Mr. Chairman and members of the Committee, thank you for the opportunity to provide the Administration's position on your proposed minimum wage increase. Make no mistake: we believe that the increase is bad policy, especially in the context of today's economy. It will hurt younger workers; it will not reduce poverty; and we oppose it.

The minimum wage was first enacted, as part of the Fair Labor Standards Act (FLSA) in 1938. The historical context of its enactment is telling: the workforce of that era was largely unprotected by wage and hour statutes, or by child labor prohibitions. Sweatshops and exploitation were rampant. An array of legislation was enacted during this time, addressing the various problems affecting the workers. The National Labor Relations Act guaranteed the right to organize and bargain collectively. The Fair Labor Standards Act treated a number of ills noted above. It was intended to set a floor for wages and a ceiling for hours. The minimum wage has been raised some 15 times since its passage, with the last increase phased in over four years, 1977-81. Each time, the increase was considered in the context and economic climate of its time.

I'd like now to direct my comments at the current climate in which this increase is proposed.

Since 1982, almost 14 million new jobs have been created. Lately, this job creation has been unfairly criticized & incorrectly with the claim that somehow most of them are in the sub-poverty range. It just isn't so. Yes some of these new jobs are low-paying, but they are the exception, not the rule. Let me share some statistics with you:

- Since 1982, jobs paying $10 an hour or more have increased by nearly 50 percent--about 12 million.
- From February 1986 to February 1987 alone, 2.8 million jobs were created. Over 40 percent were in "managerial and professional specialty," the highest wage range classified by the Bureau of Labor Statistics.
- Since 1982, the number of workers earning the minimum wage or below has declined by about 1.5 million or 25 percent.
- Jobs which require post-secondary skills are growing at a dramatically higher rate then those which require no skills.

What does all this have to do with the minimum wage? It defines the parameters of the debate over where we as a nation will direct our attention and our resources.

Given the current job creation and the increasing demand for a highly skilled, highly literate labor pool, we are indeed facing a crisis. That crisis is the prospect of entering the twenty-first century with a bifurcated society: not simply employed and unemployed, but rather employed and unemployable. In other words, there will be one group of people with jobs--happy, productive, well-paid people, and another group with no skills and little hope of ever getting a job.

Gone are the days when functional illiteracy can be disguised by an unskilled--but high paying--assembly line job. The one-way ticket out of poverty today and into the year 2000 is skills--basic literacy and job skills. You know we are putting our money where our mouth is on this issue, with our $980 million worker adjustment package and our $800 million welfare youth training proposal. This will be in addition to our existing job training program. As I've said before, the issue is not minimum wage--it's minimum skills.

I don't think there's been a newspaper in the country that hasn't run a story in the past few months about jobs going begging somewhere. USA Today ran a front page story just last week about the urgent need for summer help on Cape Cod. By and large, these are not jobs in which one spends a career. They are summer jobs filled by kids--the minimum wage population. Yet the imbalance between supply of and demand for labor has driven the wages far above the minimum. In other words, the market works.

On a different side of the issue, the Washington Post recently ran an article about a cooperative effort between Northern Virginia and Texas, aimed at finding qualified workers to fill Virginia jobs. Here across the Potomac, minority youth unemployment remains around 40 percent, yet a spokesperson for the District's job services office said "We just don't have the people."

This month, the Wall Street Journal contained an article entitled "For the New England Story, Turn to the Help-Wanted Ads." It told the well-known story of New England's economic boom, and the similarly familiar labor shortage lament. Said a Federal Reservie Bank economist, "workers are harder to keep, and they cost more."

While this story is played out in may areas across the country, it is surely not universal. We don't have our heads in the sand. There is poverty and there is unemployment. While both are improving, there are persistent trouble spots. Youth unemployment is nearly three times the overall rate. Minority youth unemployment is more than six times the overall rate. The worst thing we could do is exacerbate--not solve--this problem. That is exactly what raising the minumum wage will do.

It is the consensus of studies by economists and researchers of every political stripe--from Professor Sar Levitan to the Heritage Foundation--that a minimum wage increase results in a loss of job opportunities. Not all of these are firings. It includes jobs which go unfilled or would have been created in the absence of an increase. All you have to do is ask your local small business operator about it and the economic theory becomes reality. And these are the folks responsible for 70 percent of the new job creation in this country.

Roughly 100,000 - 200,000 job opportunities are lost for each 10 percent increase in the minimum wage. Dr. Charles Brown, senior economist for the Minimum Wage Study Commission echoed this estimate in testimony in April. The current bill proposes a 38 percent increase. That's a potential loss--worst case--of up to nearly 800,000 jobs.

Where will that job loss fall? Let's look at that minimum wage population:

- Almost two-thirds are under the age of 25.
- Sixty percent are single.
- Eight-five percent are not heads of households.
- Sixty-five percent are part-time.

The sterotype of the teenager working a couple of hours a day after school for the minimum wage isn't far off the mark. These are the kids that are getting their first taste of work and the self-esteem which a paycheck brings. Their pay can be counted in both wages and job experience. With this job experience they are investing in themselves, increasing their own human capital. As they remain in the workforce, their wages rise. We need to make every effort to ensure that they have the opportunity to get this first job. Let's not dim their chances by raising the entry wage. That is why this Administration has supported a youth differential.

Let's turn our attention now to the problems of those in poverty. The discussions of welfare reform have shed much light on the pathology of poverty. There is clearly an array of factors at work. Unfortunately, raising the minimum wage will have an adverse impact, if any at all:

- Just one percent of all workers are both poor and earn the minimum wage.
- Nearly half the heads of households in poverty aren't even in the labor force.
- Historically, increasing the minimum wage has had no impact on poverty.
- During the last four year phase-in of a minimum wage increase (1977-81), the poverty rate actually began to rise for the first time in the post war era.

We need to ask ourselves what it is we're trying to do. Are we trying to lift people out of poverty? The large majority of minimum wage earners are single. At its current rate, the minimum wage is sufficient to lift a single person (working full-time, year-round) out of poverty. But we know that most of those single people are kids living at home. Are we trying to lift a family of three or four out of poverty? We know there are very few single-earner families of three or four at the minimum wage. Furthermore, if we are to lift a single-earner family of four out of poverty, the minimum would have to be raised to over $6 per hour this year.

Again, I ask "what is it we're trying to do?"

If we're trying to break the back of youth unemployment, then we need to do everything in our power to make sure the economy continues to create jobs and that our young people stay in school. If we're trying to lift people out of poverty, then we need to make sure they have the basic literacy and job skills they'll need to move from one high-paying job to another in a workplace which is changing right under our feet.

Mr. Chairman, the times have changed and the target has moved. We must not take any action which would force our young people out of work, or keep them from getting work. At the same time, we must make sure we have a workforce trained to fill the jobs we're creating, so that we're not importing workers from abroad.

We have a pretty good fix on what the solutions are and we have our work cut out for us. Let's not spend our time reviving an old debate about the proper level of our wage floor. Instead, let's work together to ensure that all Americans can take full advantage of the opportunities which lie ahead.

That concludes my statement. I'd be happy to answer any questions you might have.

The **Chairman**. Thank you very much, Mr. Secretary.

I will ask staff to follow the ten-minute rule with the Secretary and then we will go to a shorter period of time with our other witnesses.

I hope we do not spend a great deal of time jockeying around various statistics. All of us are subject to that, and obviously statistics indicate numbers of people. We can take one percent of the work force, and if you get one percent of the work force, and you are talking 113 million people working, you are talking about one million heads of household, whether it is 1.3, there are one million heads of household.

If you take the Chamber's testimony that 53 percent have not been married, you can say 47 percent of those have been married or are single heads of household.

We are talking about over one million people, and they are Americans. They are working people who want to work. And those the people for whom we are trying to make the minimum wage a liveable wage.

Mr. Secretary, I have trouble in arguing with you about the importance of education and training. I think all of us in this Committee will give unanimous support for it. I think that begs the issue. There are many people in all parts of our country with inadequate education and training, and no matter what you have as a minimum wage, they are not going to get the job. You can lower it one dollar an hour, and they are still not going to get it; they are basically unemployable. And we understand that. I mean, you are talking to people who have worked with you on youth training and job training and have been over that ground.

But there is another group who are working, who want to work. And if they live in Massachusetts, or if they live in California, or they live in States that have some decency in terms of their support program, you know the value of that particular package; maybe it is $5.40, $5.30 an hour in my State, and you are talking about $3.35 to go out and work. This is a financial disincentive. The minimum wage is a financial disincentive to get people to go out and work and to provide for themselves and their families. And I think that is a point that we should not confuse.

You have the education and training which is absolutely essential, on one hand. On the other you have what are we going to do about people who want to work, who would like to work, probably get off welfare if they could. You also have additional problems in terms of and health care costs and day care, with which this Committee is very familiar. But they cannot do it with the minimum wage where it is.

We will all hear about what the past increases have resulted in important considerations, but I would hope that we could go beyond that.

We hear about the impact on small business. I come from a region doing spectacularly in terms of the economy. New England is doing spectacularly in terms of the economy. But the youth unemployment has not moved because these people have not got the education and training programs.

We have higher minimum wages in just about all the New England States with the exception of Rhode Island than the current federal minimum, and we are booming. We hear about the burden on small business and how this is going to throw people out of work. We are booming.

And one common lesson that we have learned up there is employment is not tied to the minimum wage, but is tied to these other factors which you have identified here in education and training. The point is can we do something about those people who are at the bottom, who are the heads of household, who have been married, who are single, and they are in my State and they are all over this country, and go back to where we were in the Sixties and Seventies to what made it a livable wage and supported in a bipartisan way. That is basically what I think we are trying to do.

Those are some general comments, and you certainly are invited to respond. Let me just make one other point.

We have had the decline in terms of the purchasing power in the minimum wage; it is down 26 or 27 percent. You know, that is a youth subminimum. I mean, that is a 30 percent reduction in purchasing power. Any small business man or woman in my part of the country understands that. And yet youth unemployment has not moved; it has not moved in my part of the country with an expanding economy.

So we have had the youth subminimum, so to speak, because of a decline of 30 percent of purchasing power. It has not impacted youth unemployment. You have the continued disincentives because if people go out and work at minimum wage, they are losing coverage for their families. And we have had the general reluctance to support the kinds of education and training which are important in terms of moving people out of that kind of unemployable situation into an employable situation. And that is the problem that we have with just being opposed to this program, because what we are talking about are people who are working today or who would like to work and the other burdens, evidently, that we are going to have in terms of the small business. And you know, I can give my raft of figures along with anybody else, and use your own studies, and I hope we will not confuse the issue.

But in terms of those individuals who are working and who want to work, what do you say to them? You might have read the testimony of our next witnesses—two people who have worked at the minimum wage for seven or eight years and have not been able to get out of it and have trouble making it. One of them you will hear from has gone back to welfare, AFDC, because her children got sick. They want to work and have a record of doing it.

What in the world do you tell these people, whatever percentage it is—whatever percentage. We are talking millions. And what in the world do you tell those people when you have the explosion of wealth for the highest-income people, just as a matter of social justice? What in the world do you tell these people? They are not statistics. And we must responded to those needs.

What do you tell them?

Secretary **Brock**. You know, the point that I think we both make about education, training and skill development, is not a point of disagreement. I really appreciate the support that this Committee has given to proposals that we have brought before you, and I know the degree of support that the Chairman has given, and I am grateful for that. I think we both know that is the fundamental answer.

Mr. Chairman, when you say inflation has eaten away at the real purchasing power of the minimum wage which was adopted in 1977, you are correct. But I really cannot accept the premise that this creates the same effect of a youth differential, because there are people competing for those jobs, as long as there are people who seek jobs. And if you are an employer, even a minimum wage employer, you want to hire people who bring to you the skills that will raise your sales, your production, your profits, and with the least amount of training.

You cannot blame a small businessperson for hiring a 25-year-old who may have worked in half dozen different jobs over a young person who has dropped out of school and has not had any job experience at all. That is the nature of a competitive system.

And I guess what I think would happen if we were able to have some change in the minimum wage for those above the entry-level group, and hold the others at this point for the few months that they are going to be trying to acquire the ability to earn even the minimum wage, I think that would provide a substantial incentive for the creation of new jobs that would not otherwise be created and for the hiring of these young people who have had no skill development opportunities at all.

You know, you talked about New England, and it is a spectacular success story and so is, more precisely, Massachusetts. But there was an article in the paper the other day, and I have forgotten which—it may have been The New York Times, but I am not sure—about the fact that while unemployment in Massachusetts, or maybe it was New England, was very low, around 3.1, 3.2 percent, that in Roxbury it was over 50 percent, and in Dorchester with minority youth, it probably approached 70 percent.

Now, Mr. Chairman, in Boston, 2,900 young people graduated from high school last year; 3,500 dropped out. That is a problem because of the jobs that are being created in Massachusetts, nine out of ten require at least secondary and most require post-secondary education and skills.

Now, that is the hitch we have got; that is the disconnect. And I think what I am trying to say is that I really am not so troubled about some conversations about minimum wage that would deal with the families you are talking about. What I am worried about is that if we go to the extent that is proposed for those young people who have had absolutely no opportunity at all to acquire a marketable skill, you are going to deny them the chance. And I know that is not the intent, but that, we fear, is the prospect.

And I really do not—I agree with you on this point—I do not want to get into a statistical debate. But, Mr. Chairman, there have been 65 studies that we have identified which say that increasing minimum wage has a disemployment effect. We cannot find one; we cannot find a single, reputable study, that says increasing the minimum wage will not have a disemployment effect, or rather, conversely, will create job opportunities. That is the package of our studies, 65 of them, that show the disemployment effect, and there is nothing on this side of the table. That is the concern that we have.

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The **Chairman**. As everybody in the room knows, my time has expired. I will take the Chairman's prerogative of one minute.

You know, if you have the seven or eight million again—and I am going back, which I wish I did not have to—you take the Commission on the Minimum Wage. They talk about one percent, or a fraction of one percent; you are talking about maybe 80,000 of those out of 8 million that might lose. But you are increasing the quality of life for the rest and we ought to be doing something about it.

I would hope in our hearings and debate on this, we differentiate skills and education and a livable wage, because the points that you make are eloquent in terms of supporting skills and education, absolutely, and you are right with regards to what our problems are in terms of Boston. But that is what we need, the skills and education.

But you have over here the question of whether it can be a livable wage where people are going to move onto it. That is the real question, and I would hope that we would understand the importance of both.

Secretary **Brock**. It is absolutely fair, Mr. Chairman, if I can interject, to make that distinction so long as the effort to make the livable wage for one group does not deny any chance to make any wage at all to the other group. And that is where I think we have got to be as careful as we can.

The **Chairman**. Well, we will hear from some very eloquent witnesses who will be able to talk on that. I will not take any more time.

The Senator from Utah.

Senator **Hatch**. Thank you, Mr. Chairman.

Welcome to the Committee, Mr. Secretary. We appreciate your testimony, and I do not think it can be rebutted.

It is about time in this country that we look hard at this issue, not just to see if we can raise the minimum wage, but to see what it really does to people. It really does create a lot of difficulties and problems, and I think that we ought to look at its negative effects and not just in terms of political points that can be made. We have got to look at it objectively.

I am quite concerned, Mr. Secretary, that legislation to increase the minimum wage would have a disproportionate impact on my home State of Utah, on the States in the West and in the South where, there is a more competitive labor market.

I think many Senators might question the advisability of a Federal mandate to boost wages in high-cost-of-living areas at the expense of other regions of the country that are not high-cost-of-living areas in comparison—all areas have their costs, but certainly some higher than others.

Do you have any data or information which would shed light on this particular problem and how we might solve it?

Secretary **Brock**. We could provide the Committee with some, if you would like, Senator.

[Article on the effects of minimum wage by States/regions follows:]

EFFECTS OF MINIMUM WAGE BY STATES/REGIONS

Since average wage rates differ across states and regions, the effects (disemployment and inflationary) of raising the minimum wage should be expected to result in differing state and regional impacts. That is, costs and benefits of an increase would not be felt or distributed across the U.S. in a uniform manner.

- Just as teenagers and young adults suffer the largest disemployment effect of an increase in the minimum wage because they account for such a large share of the minimum wage population, one would expect that states/regions with disproportionate shares of minimum wage earners would suffer disproportionate employment opportunity losses.
- Those states/regions where the ratio of the minmium wage to the average hourly wage is relatively high or those states/regions with disproportionate shares of minimum wage workers, might be expected to encounter relatively higher cost pressures.
- The effect of raising the minimum wage on states/regions with relatively few minimum wage earners or relatively high average hourly earnings is not neutral. These states/regions may be net gainers in that low-wage competition in other states/regions is eliminated. While they would suffer relatively little in terms of disemployment or cost pressure since they employ few minimum wage workers, the elimination of low-wage competition in other states/regions can result in jobs saved or created in the higher wage state/region that otherwise may have migrated/been born in the lower cost state/region.

The following tables provide data on average wage rates (manufacturing) by state and shares of minimum wage earners by region. State level average wages are only available on an industry basis.

AVERAGE HOURLY EARNINGS AND AVERAGE WEEKLY EARNINGS
Production Workers on Manufacturing Payrolls
December, 1986

Northeast	Average Hourly Earnings (AHE)	Average Weekly Earnings	Minimum Wage as Percent AHE	Applicable Minimum Wage
Connecticut	$10.23	$434	32.7	State/$3.37
Maine	8.77	364	38.2	State/$3.65
Massachusetts	9.50	394	35.3	State/$3.65(7-1-87)
New Hampshire	9.04	384	37.1	State/$3.45
New Jersey	10.32	428	32.5	Federal
New York	10.06	408	33.3	Federal
Pennsylvania	9.86	406	34.0	Federal
Rhode Island	8.04	328	41.7	State/$3.65(7-1-87)
Vermont	8.94	375	37.5	State/$3.55(7-1-87)
Midwest				
Indiana	10.88	460	30.8	Federal
Illinois	10.73	446	31.2	Federal
Iowa	10.24	426	32.7	Federal
Kansas	10.06	412	33.3	Federal
Michigan	12.84	561	26.1	Federal
Minnesota	10.25	424	32.7	Federal
Missouri	9.75	405	34.4	Federal
Nebraska	9.34	380	35.9	Federal
North Dakota	8.31	319	40.3	Federal
Ohio	11.79	508	28.4	Federal
South Dakota	8.11	340	41.3	Federal
Wisconsin	10.55	443	31.8	Federal
West				
Alaska	12.87	496	26.0	State/$3.85
Arizona	10.04	416	33.4	Federal
California	10.58	435	31.7	Federal
Colorado	9.97	410	33.6	Federal
Hawaii	9.05	359	37.0	Federal
Idoho	9.73	373	34.4	Federal
Montana	10.73	415	31.2	Federal
Nevada	9.63	401	34.8	Federal
New Mexico	9.06	366	37.0	Federal
Oregon	10.51	416	31.9	Federal
Utah	10.04	390	33.4	Federal
Washington	11.59	479	28.9	Federal
Wyoming	9.60	396	34.9	Federal

South	Average Hourly Earnings (AHE)	Average Weekly Earnings	Minimum Wage as Percent AHE	Applicable Minimum Wage
Alabama	8.71	365	38.5	Federal
Arkansas	7.95	328	42.1	Federal
Delaware	10.60	448	31.6	Federal
Florida	8.13	342	41.2	Federal
Georgia	8.44	351	40.0	Federal
Kentucky	10.01	405	33.5	Federal
Louisiana	10.66	457	31.4	Federal
Maryland	10.10	422	33.2	Federal
Mississippi	7.58	309	44.2	Federal
North Carolina	7.70	320	43.5	Federal
Oklahoma	9.89	414	33.9	Federal
South Carolina	8.06	341	41.2	Federal
Tennessee	8.79	371	38.1	Federal
Texas	9.80	412	34.2	Federal
Virginia	9.02	373	37.1	Federal
West Virginia	10.41	430	32.2	Federal

Source: Bureau of Labor Statistics
Employment and Earnings, March 1987

MINIMUM WAGE EARNERS
By Region
In Percent
4th Quarter 1986

Region	Percent
Northeast	13.4
Midwest	27.0
South	43.0
West	16.6

Senator HATCH. All right, but you see my point. It is one thing to argue for Massachusetts and the Eastern Seaboard which is highly industrialized and unionized and another thing to argue what is best for the rest of the country, the South and a lot of the Midwest and a lot of the West. Those are important areas, too.

One point that has been raised in favor of a minimum wage increase is that the increase in income for those workers who remained employed would offset the disemployment effect since those who got raises would spend their money, creating additional demand for goods and services, and forcing employers to hire more workers.

Could you comment on this particular argument?

Secretary BROCK. I am sorry, I missed the point——

Senator HATCH. The point that I am making is that those who argue for the minimum wage say that an increase in income for workers in that category where they get an increase in minimum wage would offset the disemployment argument that you and I have made here today, or the disemployment effect, since those who got raises would turn around and spend that money; thus, they would create more jobs or additional demands for goods and services, and employers would have to hire more people, and thus the disemployment effect would be overcome.

Could you comment about that argument?

Secretary BROCK. I guess I would like to see the justification study, because I have not seen any that make that point.

Senator HATCH. OK.

Secretary BROCK. We have somewhere—I do not have it in front of me at the moment—a study by Data Resources Incorporated, DRI. The classic arguments against raising the minimum wage are inflation and disemployment arguments. I do not think anybody is making a very concentrated case on inflation today, just simply because the inflationary pressures do not seem to be as present in the economy as they have been in earlier years, thank goodness.

But I do think that the argument on disemployment is sufficiently well-researched now to make it with some conviction and clarity. As I said earlier, we do not have any study that argues the contrary effectively. We have all kinds of studies that say that the net economic effect is negative. The DRI study, for example, if I remember correctly, projects not only a modest increase in inflation, but more importantly, a reduction—a reduction, Senator—in gross national product as a consequence of the proposed increase.

Now, that means that we have got less money circulating, less money buying goods and services, because the negative effect was larger than the positive. You are arguing statistics. I am not sure, as the Chairman has noted, that that is the basic point, but it does have to be considered.

Senator HATCH. Well, your point that what we have to be more concerned about today is education and training is a well-placed point, because by the year 2000—and really, we are seeing it now—we are going to have, in major as well as small businesses in this country, a very difficult time finding people to take the jobs. In fact there are a lot of jobs today that are going wanting that are higher than the minimum wage because of the difficulty in finding people to take them.

Is that a correct fact, or have I misunderstood?

Secretary **Brock**. No. You are absolutely right.

I waiver; I go from moments of incredible optimism about the future of this country and the opportunity we have in the near term to solve some social problems that we have not solved in the last 20, 30, 40 years, particularly youth unemployment, particularly minority unemployment, particularly women's unemployment, or inadequate opportunity, because we are creating a lot more jobs now than we have new entrants into the work force to moments of serious concern about the issue you raise. The baby boom, if you look at the front page today, the baby boom is over. That means the rate of growth in the labor force is going to decline from 3 percent a year down to one percent a year in the next 13 years. That is a phenomenal change. The work force is going to get older, from 35 to 39.

Now, that says that we are going to create the jobs with a smaller pool of new workers to draw from. Are we going to give these young people the skills to take those jobs which require more skills, or will we exacerbate this skill shortage. If we do provide skills, I guarantee that we are going to deal with problems we have failed to deal with for the last 40 or 50 years. But, if we allow the continuation of this miserably inept, in too many areas, educational system we have in this country today, then shame on us, because we are not giving our children the opportunity they deserve, and there is no excuse for the pandering kind of ridiculous defense that is made of inept performance by too many in the hierarchy of a movement that is self-satisfied and nonproductive.

Senator **Hatch**. Well, the fact of the matter is that in order for young people to get the training necessary, and sometimes even the work education, they have got to start somewhere, and they have got to have a job.

Secretary **Brock**. That is right.

Senator **Hatch**. I think there will be more and more jobs, but they are going to be on the higher level, as you have said, where they have got to have training and education. That is why these low-paying jobs that really do not effect most heads of households and are basically inception jobs for young people have to be kept alive. And frankly, every time the minimum wage goes up, a lot of those jobs, small businesses especially, just disappear; they just do without the employees or go out of business.

Is that a correct statement?

Secretary **Brock**. Yes. If you will remember, Senator, in our lifetime, and in the lifetime of virtually anybody in this room whatever the age, you can remember when there were ushers in movie houses, gas station attendants that wiped your windows, and parking lot attendants that parked your car. Those are minimum wage jobs. They are gone, in most cases. There are not many places that provide these services anymore. If they do, they charge you a very substantially increased price for them.

Senator **Hatch**. I suppose people can say, well, they are not important jobs because they do not really give them an education. But they do teach them about the discipline that comes from working, the importance of working, the importance of earning money, the importance of how to take care of money, and maybe the zeal and the desire to go on and educate themselves and find more.

Secretary **Brock**. Yes.

Senator **Hatch**. There are always going to be illustrations. My heart goes out to the folks who will testify after you and the difficulties that they have had. There are certainly exceptions to everything. And we need to find ways of helping people like that. But increasing the minimum wage is not particularly going to help them because when you increase the minimum wage, it seems to me everything else increases as well. So you just give fuel to inflation. In the end, they are paying more. They may be earning a little bit more, but they are going to be paying more in the final analysis.

Secretary **Brock**. Why don't we talk about increasing the requirement—not the hope, not the aspiration, not the dream, but the requirement, for minimum skills. Why don't we talk about, if you need it, year-round schooling? Why don't we talk about increasing the number of years one has to stay in school? Why don't we talk about mandatory competency testing for teachers and mandatory delivering of the teaching product to students that is evaluated annually? Why don't we talk about allowing competent people to be brought into the profession, teachers or principals, without having to go through some of the hoops that keep good people out today?

Why don't we talk about adequate pay? Why don't we talk about adequate training for teachers and administrators?

Those are issues that really come to grips, I think, with the issue. I think that the thing that is so frustrating about this conversation is that none of us disagree on where we want to go; we really do not. Nobody believes in the minimum wage. I do not believe that anybody in this country ought to be working at the minimum wage.

Senator **Hatch**. That is right.

Secretary **Brock**. I deplore that level of wage. I want everybody working at $10, $20, $30 an hour. Fantastic. We are a better country if we can pay higher wages—but the wages have to be earned. And if you do not give these kids the chance to acquire an understanding that you have got to be on time when you are employed, that you have got to work with people and how to work with people, and, that you have got to acquire certain job habits that allow you to become productive as human beings—how do they get these skills? It certainly is not apparent in the community that they live in if everybody else is out of work; they have no role model to look at.

Senator **Hatch**. Well, my time is about up, but let me just say this. You raised the issue that since 1981, 1982, actually, there have been 14 million jobs created in this country, most of which are fairly high-paying jobs, very few of which are minimum wage-type jobs.

Secretary **Brock**. Yes, that is right.

Senator **Hatch**. I think that deserves a second look. Those who have been highly critical of this Administration and its economic policies ought to look at that. I remember when President Carter was bragging, and rightly so, about one million new jobs in his four years, and that was a wonderful thing, but it is nothing like 14 million.

So maybe we ough to look and see what is good about the Administration's policies. There are some things that need to be changed; there is no question. But I tell you, I have a great suspicion that increasing the minimum wage will just increase inflation, will mean higher costs to these people, will dry up entry level jobs that give people the skills that you have been talking about and that encourage them to go on and make more than the minimum wage. It really concerns me. I think we should just get rid of the fictions in our society and try to do what is right. And your point about education and training, I think is right, and I hope we can go on with that and get rid of some of these fictions.

Thank you, Mr. Chairman.

The **CHAIRMAN**. The Senator from Indiana.

Senator **QUAYLE**. Thank you, Mr. Chairman.

As I was listening to our Chairman's statement and questions of the Secretary, I came away with the idea that not only the concern for all, but a major concern that the Chairman has, is the possibility of heads of household earning minimum wage. If he did not say it, I will say it, and then I am sure he will agree with me, that a head of household earning minimum wage is simply inadequate. It is not, as the Chairman said, a livable wage for a head of household, trying to provide for a family. And I agree with that.

I agree that we have a situation, particularly looking at heads of household, showing how we should deal with that. When you look at what the livable wage is, a livable wage for a teenager working a few hours a week after school and living at home is far different from a mother or father trying to work and to provide for a family.

Now, is the response from the Congress to try to deal with that social inequity and that social problem, a blanket increase in the minimum wage?

I am not so sure it is, and I believe that the Federal government ought to target and utilize its resources in a very specific way that is going to get some response from the society and the private sector.

One of the things, which has been discussed in the Congress, is the earned income tax credit for heads of households. That would be one way to make it a more livable wage.

But I wonder if you might just share with me how we might deal with this problem, because you see, I agree with the thrust of the Chairman's concern that the head of household situation, though a very small percentage on minimum wage, is a very real problem. How could we deal with that to try to give them a livable wage which, on the minimum wage, it is certainly not?

Secretary **BROCK**. If you will permit me, I want to just read to you two paragraphs from the DRI study, and then I will make a couple of comments of my own, too.

These, I think, address the question. "Our conclusions are that it is on balance an in effective method of alleviating poverty and that raising the minimum wage will retard growth as high inflation leads to higher interest rates. The higher minimum wage would push up the inflation rate by about two-tenths of one percent per year in the late 1980s and early 1990s and reduce the number of jobs for low-productivity workers. At best, the proposed increase would equalize the distribution of income only slightly, but at the cost of lower efficiency and reduced output for the economy as a whole."

And then in the concluding paragraph, which comes more precisely to your point, "The proposal for a minimum wage increase is undesirable for several reasons. It would give a small boost to inflation and reduce employment opportunities, particularly for young, low-skill workers. Model simulations indicate a loss of 430,000 jobs once the plan is fully phased in. As economists have pointed out many times, raising the minimum wage as a means of reducing poverty is vastly inferior to more direct approaches such as a negative income tax. Unfortunately, a negative income tax requires financing either by higher general taxes or lower spending. Raising the minimum wage costs the Federal government virtually nothing and is therefore a politically attractive, if ineffective, anti-poverty policy."

The point is, I think, fairly stated, that the alternative—and this is the problem, Senator—of a negative income tax, for example, costs money at the Federal government level. We already have a deficit that is tragically high, dangerously high for this country. So it is tough to find it, and therefore it becomes, I think, facile to suggest that the cost be borne mostly by small businesses in this country, which I think is the wrong way to go.

There is an alternative way, though, and that is to exempt out from any proposed increase those who have not attained a certain age or have not ever had a job or have not ever had the opportunity to acquire an entry-level skill. If you can do that, then you have eliminated the disemployment effect, and you have dealt with the fundamental problem that the proposal incorporates in its present form. And I think that is the kind of conversation that would be worth having in this country.

Senator **Quayle**. Can we do that?

Secretary **Brock**. Sure.

Senator **Quayle**. Could we do it?

Secretary **Brock**. Sure, you can, absolutely.

Senator **Quayle**. And make it a workable program, in your judgment?

Secretary **Brock**. I do not think there is any question about it, yes.

Senator **Quayle**. I agree and think it is something that we ought to pursue, because when you look at the minimum wage category, it consists of many different kinds of people. From my viewpoint, raising the minimum wage for a head of household to allow a livable wage is certainly something that would be in our national and economic interest.

Secretary **Brock**. It would. But you have got to be careful with that. For example, let us assume that a basic problem that we are trying to deal with is that many young people may have dropped out of school, and have never had a chance to acquire any entry-level skill at all. But, that does not mean that they cannot be head of household. So the criterion should not be whether or not they are head of household; the criterion should be whether or not they have got that entry-level skill.

Senator **Quayle**. Yes, that brings up the issue of the young person's training and education, which is a major problem, and very relevant to the discussion we are having today. I believe that the education issue is far more of a fundamental problem to this Nation than where the minimum wage is or is not going to be.

Secretary **Brock**. Yes, yes, it is.

Senator **Quayle**. Let me just ask one other question. You have talked about disemployment, and you have 65 studies to show the disemployment effect on raising the minimum wage.

If you look at the charts that I have supplied for this hearing and add the minimum health benefits, the increase in costs is not about 10 to 20 percent. In reality the increase is 44 to 62 percent. What do you think the disemployment effect of combining those two things together would be on the private sector?

Secretary **Brock**. Well, if the DRI study or the other studies that suggest an increase of disemployment of about 100,000 jobs for every 10 percent increase, and if I remember, you said the first group was about a 44.4 percent increase, then you are talking 400,000 people who will not have the opportunity to work that would have otherwise had the opportunity to work. That is a lot of human beings.

Senator **Quayle**. So, putting the two together, you are just compounding the disemployment.

Secretary **Brock**. That is right.

Senator **Quayle**. Thank you, Mr. Chairman.

The **Chairman**. Just before recognizing my friend from Ohio, Mr. Secretary, you spend a good deal of time talking about the young people. Only 30 percent of those who are making the minimum wage are young people. Seventy percent are adults. That is important. And of those that are working in poverty, 70 percent of those that are working at the minimum wage, are heads of household.

We are talking about somewhat over one million people who are working and are living in poverty and what has happened to their wage. You can take the Bureau of Labor Statistics, your own figures, in terms of the growth of the number of families that are in poverty today. We are talking well over one million people. We are talking seven or eight million people who are basically getting the minimum wage—we can all look at these figures. But we are talking about people who want to work eight hours a day, 52 weeks of the year, and whether we are going to permit them to make a livable wage or whether we, as a matter both of economic policy and social policy, are going to say no, whatever these forces are going to have in terms of inflation, equity whatever, we are going to take it out on you, we are going to take it out on you. And that is something that we have not done in our country; we just have not done that for 50 years. You can talk about the new dynamics of our economy until you are blue in the face, but we have not done it. And the question is whether this Congress this time is going to face up to the issue.

Secretary **Brock**. Mr. Chairman, you noted earlier in your comments that I have supported minimum wage increases in the past, and I have.

The **Chairman**. Well, I have read your record, Mr. Secretary. You opposed them in the House and voted for one increase in the Senate.

Secretary **Brock**. Well, you know——

The **Chairman**. So I do not want to——

Secretary **Brock**. What is it, consistency is the hobgoblin of little minds?

The **Chairman**. Yes, that is right. I like the vote in the Senate. I think that that is better, myself. It shows a broader understanding of the importance of the issue.

Secretary **Brock**. Fair enough. If I remember, I think the first time I came before you, after I was confirmed back in 1985, I brought a chart. What we do is alternate meetings; when you have the charts one time, I get them the next. That is the name of the game. But I brought in a chart which talked about youth unemployment, and it dated it back to 1930. The chart showed that almost without exception, youth unemployment has been going up every year for 50 or 60 years. That is not a new phenomenon. It is not just true in this country, by the way. It is true in almost all major industrial societies.

And I guess, while I can support, and obviously did support, an increase in the minimum wage, I am increasingly troubled by the fact that a larger and larger number of people in this country are not unemployed, but unemployable. I think that is terrifying for the well-being of this society. And I do not want to take a chance that our policies, however well-intended in terms of trying to deal with the need for taking families, heads of household, and their wives and children or husbands and children, above the poverty level, I do not want to take the chance that you add to that group by creating more disemployment.

It seems to me we really have to ask the honest question, is there some way we can deal with this problem? I guess that is what I am asking we do today.

The **Chairman**. The Senator from Ohio.

Senator **Metzenbaum**. Mr. Secretary, several months ago, I had a hearing about kids on the street. I do not know if anything bothers me more than the fact that 40, 45 percent of young black kids in America are walking the streets of America. When I was a businessperson, I remember we met down here and caused to come into being The Urban Coalition because our cities were being burned down. They were being burned down out of a sense of frustration, in Cleveland, in Los Angeles, in Detroit, in New Jersey, in Newark, and various other places.

I want to really hear from these people who are walking the streets today, tonight, because I think that first of all, they are a bomb waiting to explode, but beyond that, it has caused a great deal of shock and shame to all of us because they cannot find a job.

So I asked my staff to go out and find people actually from the streets, not to find people who were with some social agency, but just get into the streets and see if we could not get them to come down here and testify.

The interesting point to me was that they were willing to work, and they wanted to work, but they did not have the skills to work. One young man said, "I do not care what I get paid. Just give me a job. I would like to have something to do. I do not have the skills, I do not have the skills. I do not know what to do, Senator."

He said, "I do not care if I work for $2.00 an hour."

And that brings me to the point that you have raised, that if you raise the minimum wage, are you going to keep these young people from having an opportunity to work. I do not think that is the case. I think what you are going to be doing is you are going to be affecting that older man that I saw down in Florida who sold me some oranges. He said, "Senator, are you going to raise that minimum wage? I cannot live on $3.35 an hour."

I said, "Is that what you make?"

He said, "Yes." It was a pretty substantial business he was engaged in.

What bothers me is how anybody can possibly exist, let alone live, but how they can exist on $3.35 an hour, which is $134 a week. And I guess the one I think I would almost urge you to ask about this legislation is Mrs. Brock. Ask Mrs. Brock, "If I only brought home $135 a week, forgetting about the rent and forgetting about some of the other things, just taking care of actual, out-of-pocket living expenses, could anybody possibly live on that kind of money today?" You know they cannot.

That is what bothers me. I do not want to create inflation. I do not want to create unemployment. But I know what has come to pass in this country by reason of inflation and other reasons as well, and people cannot live on the minimum wage as it is at the moment. That seems to me to be a responsibility of yours as well as ours as we deal with this problem.

And I just want you to give me some answer, when some businessperson comes to me and says, "You cannot raise the minimum wage; it is a terrible thing," how do I answer, and on this $134 a week, what do we do about that?

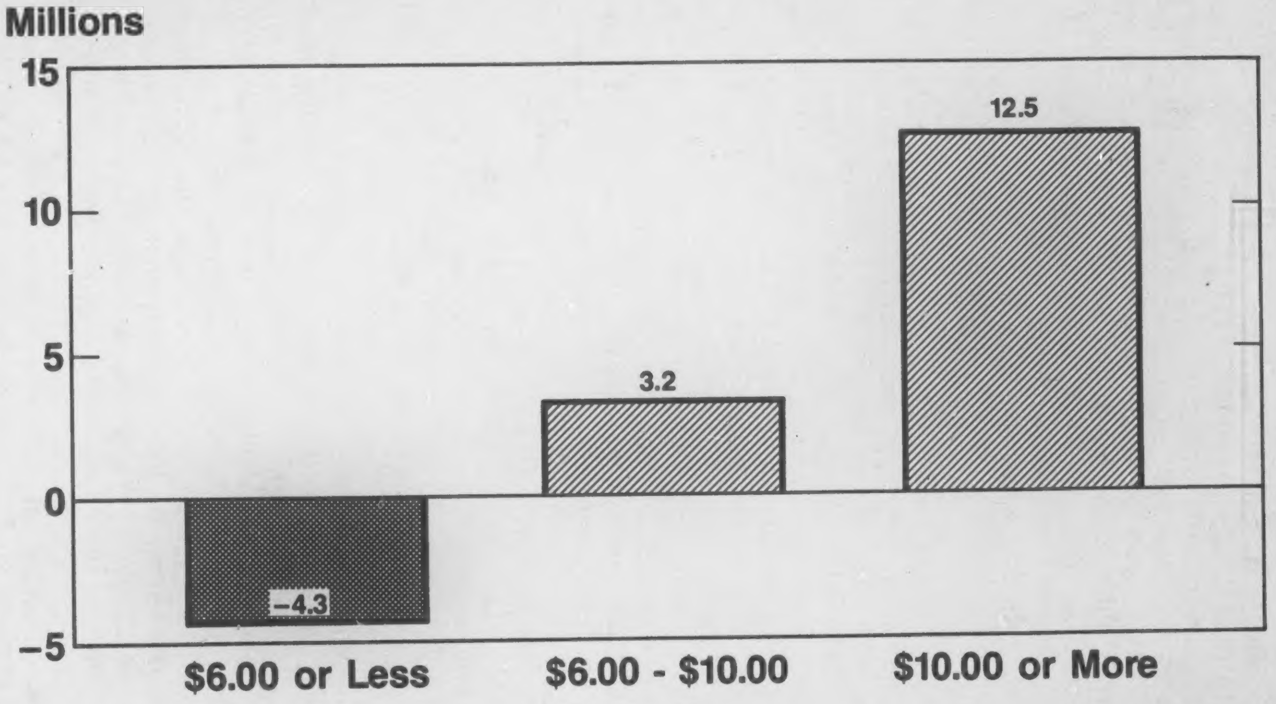
Secretary **Brock**. Senator, we spent a lot of time this morning talking about the kinds of jobs that are being created in this country. They are not minimum wage jobs. They are skilled jobs.

If I can get somebody to pull that chart, let me just show you the second chart there. The thing that really troubles you about where we are, and yet at the same time is exciting to me, is that—if you look at the employment changes from the first quarter of 1983 to the first quarter of 1987, there are fewer persons working in the under-$6 category. We are not talking minimum wage here, we are talking about under $6, which, by the way, is the level that would be required for a family of four to be out of poverty. That is the reason we chose the $6 or less number. We have created 3 million jobs in the $6 to $10, and we have created 12 million in the $10 or more category.

[Chart of employment change and wages follows:]

Employment Change and Wages

(1983:Q1 – 1987:Q1)



DOL/Office of Policy

Secretary **Brock**. What that says is that the job opportunities are being reduced for the people with the least skills, and job opportunities are increasing for the people with the most skills, almost unrelated to income or anything else. We are talking about skill and the prospect of employment.

Now, here is the difficulty. If you have got, as I mentioned to Senator Kennedy, in Boston 3,500 students who dropped out of school last year and only 2,900 who graduated, or in Cleveland, Ohio, where your dropout rate is in excess of 50 percent—one out of every two kids in Cleveland who enters high school does not finish—and if there are not any minimum wage jobs being created of any kind, what do we do? How do they acquire that first skill, and isn't it possible that the more you increase their entry-level price, the less their prospect of ever getting a job?

I grant you there are some that will work for $2 an hour. That is not the question. The question is will they be employed at any price, because the employer, no matter what the minimum wage is, is going to have a range of people applying for that job—one, two, three people—and who is he going to hire? He is going to hire the person who is 23, 24, 25, who has worked before, who has some proven experience, because they are worth more.

Senator **Metzenbaum**. What percentage of the minimum wage-paid employees work in fast-food operations?

Secretary **Brock**. I do not have that at hand. I can certainly get it for you.

[Statistics on food service workers follows:]

STATISTICS ON FOOD SERVICE WORKERS

In March 1986, 34.5 percent of all workers who reported an hourly wage at or below the Federal minimum wage were employed in the food service industry. The table on the following page provides a breakdown of minimum wage earners by detailed occupation within food services. The data suggest that for many (over 50 percent) workers in food service occupations, tips supplement (to varying degrees) the hourly wage received.

FOOD SERVICE WORKERS
At or Below the Minimum Wage
March 1986
In Thousands

	Number	Percent
Supervisors	49	2.9%
Bartenders	37	2.2
Waiters & waitresses	793	47.3
Cooks	214	12.8
Short order cooks	55	3.3
Food counter	149	8.9
Kitchen workers	51	3.1
Waiter Assistant	149	8.9
Misc. food prep.	178	10.6
Total Food Service	1,675	100.0

Food Service workers as Percent of Minimum Wage Population	34.5%

Senator **Metzenbaum**. I notice that in some areas, that rate has gone up to $5, $6 an hour. I noticed when I was up in Massachusetts recently, signs on fast-food operations saying, "New Employees Wanted, $5 an Hour Starting Wage."

Secretary **Brock**. That is right. In this area, there are some places that will pay $6 or $7 an hour for that.

Senator **Metzenbaum**. And yet we know that there are other places—so we know they can afford to pay it.

Secretary **Brock**. Yes.

Senator **Metzenbaum**. And the question is, some other places are still paying $3.35 an hour. Do you think maybe we ought to have a variable rate for fast-food operations if maybe they can afford it better? They are a big part of it. The big battle we had a few years ago on raising the minimum wage was, I think, at that time, if my recollection serves me right, led by McDonald's. Maybe there ought to be a different rate for those that have fast-food operations?

Secretary **Brock**. Well, I will buy your idea of a variable rate, but I would make it on the basis of entry-level skills versus the inadequacy of them.

Senator **Metzenbaum**. My staff points out that if you do not have the skills, you do not get the $3.35 job, you do not get the $2 job, you do not get the $6 job. So there is a question of how we can do something about providing some training. But that is a totally different issue.

Secretary **Brock**. We are not in disagreement on that at all, Senator, we really are not. And really, as I told the Chairman, I really appreciate the support this Committee has given me in the proposals we have made to increase the training, to expend more funds and more effort to provide more training for more people in this country. There is no difference among us on that issue.

Senator **Metzenbaum**. Do you think that maybe this training ought to be included with the bill that raises the minimum wage?

Secretary **Brock**. Sure, nothing wrong with that. I do not care——

Senator **Metzenbaum**. Do you think we ought to combine it?

Secretary **Brock**. Yes, because the two really do go together. The fact is that what we are trying to do is to create a circumstance in which you can earn a lot more than the minimum wage. I want to make the minimum wage an irrelevancy in this country because I do not want anybody to have to be paid at that level; I want their skills to allow them to earn a lot more than that. That is really what we are talking about. That is the question, I think, before this body. How do we achieve that in the most effective way?

Senator **Metzenbaum**. Thank you, Mr. Chairman.

The **Chairman**. You know, Mr. Secretary, you can use this chart to justify the increase in the minimum wage. You have got an expanding economy, you have got the 3.2 million on the $6 to $10; you have got 12 million at $10 or more. All we are trying to do is raise the very lowest of that. Business is prepared to pay that. We are talking about those who want to work at the other level. I think that is a pretty good chart to support the fact that they are prepared to pay it, and you can see a growth in terms of expanding employment. I think that that is a good chart to justify the increase as well.

Secretary BROCK. Mr. Chairman, I have such respect for you and where you want to go, and your ability to do wonderful things with numbers. [Laughter.]

But I will tell you, the other side of this chart is that if in fact we are right, and there is a disemployment of 400,000, then the loss of jobs in the $6 or less category will be 5 million instead of 4.3 million. That is what we are worried about.

The CHAIRMAN. We look forward to our future conversations on it. I want to thank you very much for being here this morning. It is always a pleasure to see you.

Secretary BROCK. Thank you very much.

The CHAIRMAN. We will now hear from two witnesses who will give us first-hand descriptions of what it is like to live on the minimum wage—Rena Blankenship from New Castle, Virginia, and Shirley Slagle from Kittanning, Pennsylvania, if they would be kind enough to come forward. We very much appreciate your taking the time to be with us here today, and we look forward to your comments.

Ms. Blankenship, we welcome you to our Committee this morning. I very much appreciate your presence here today and I have some questions, but I am wondering whether you would like to make a brief comment first, or would you like to go to questions?

Ms. BLANKENSHIP. Yes, Senator I would like to make a brief comment.

The CHAIRMAN. Sure, fine.

STATEMENTS OF RENA BLANKENSHIP, NEW CASTLE, VA, AND SHIRLEY SLAGLE, KITTANNING, PA

Ms. BLANKENSHIP. I have a written statement, and after listening to some of the comments, I would like to add a few things.

I am a single parent. I have three living children. My oldest child died in 1983. I did hear the statement made this morning that minimum wage-earners basically were not heads of households. Obviously, they have not polled my neighborhood, because we are trying to support our children on minimum wage.

In 1981, I worked for minimum wage. I had child support. I was buying my house, $233 a month; that included my insurance and my taxes. It did not leave anything over for savings. By the time I paid my utility costs, my food, medication for the children, that was it.

But at that time, I thought, well, minimum wage will go up, and as it goes up, we will acquire a better lifestyle.

I was forced in 1982 to give up my job when it was discovered my oldest son, then 14 years of age, had a brain tumor. He needed 24-hour care, and it was impossible for me to work and care for his needs.

Also during this time, my husband stopped paying child support. So in order to take care of his medical expenses and his needs, I gave up my job and applied for welfare.

Being on welfare is not something I like sitting here telling you, okay? It is really embarrassing, it is degrading. You go to the grocery store real late at night because you do not want to meet anybody that you know, because you do not want them to know you are using food stamps. You never quite look the clerk in the eye; that way, you do not have to see that she is looking at you thinking my God, aren't you working.

You do not visit your old friends, the people you worked with, because they are going to ask you, "How are you paying your bills?" and you are going to have to say, "I am on welfare." You do not want to do this, so you stay at home.

For a person who is on minimum wage, you are barely keeping your head above water. If you have an illness, a fire, anything, you have had it; you have got to have help. Even with the welfare check, the food stamps, and the medical help that I received when my son become ill, I still was not able to keep up my house payments, and it was repossessed. In a period of 10 months, my son had three surgeries and spent practically the whole 10 months in the hospital.

After my son's death, I was able to go back to work. I worked for Safeway as a deli clerk, at $3.65 an hour and could not make it. I realized you pay a bill this month, and next month you skip it.

It is hard to explain to your kids when they need a new pair of tennis shoes—you have worked 40 hours, and you do not have the money to pay for these tennis shoes, so they do without. They do not get the education that they do need because you cannot pay for the extras that would help them to have a better education.

Compared to 1981 when I was making house payments of $233 a month, I now pay $300 a month for an apartment that has no windows and no heat.

In 1981, our family doctor charged us $10 per visit. We now pay $20 per visit. In 1981, I bought my son a winter coat. I paid $12 for it. Last winter, I went to buy the same coat from the same store, a larger size—$30.

When I was earning minimum wage, I often had to decide do I pay a bill, or do I buy food. Often, there was no money for medical bills, doctor bills, medicine.

I do not want to be on welfare, but I do not have any choice. I am on ADC now because the $98 I was bringing home last year from my minimum wage job could not pay the bills. With my full-time job, I was earning $436 a month. With welfare, I get a $322 check, $235 food stamps, plus all my medical coverage. That is a total of $557. I have out of minimum wage salary, transportation, clothes for work, my children's medical expenses to pay; whereas on welfare my medical expenses are covered, and I do not have the expenses of working.

So it is really kind of degrading to sit here and say I am on welfare, but I do not have a choice. I cannot support three children on $98 a week. My youngest daughter has had chronic health problems since she was four years old. She has to take allergy pills, 75 cents a day. She takes three of these a day. Her last operation, which was in September of last year, the anesthesiologist alone was $500. There is no way on minimum wage, without medical coverage, that you can pay a bill like that.

I realized the only way I was going to be able to support my children and myself was to get a job above minimum wage. I went back to school. I acquired a GED, and I will be class valedictorian for my school. First, I am going to take training for nurse's assistant. This will enable me to work, get off of welfare, while I study to be certified as a radiologist.

I am lucky. I have the intelligence, and I have the opportunity to get a better education, to be able to get a higher-paying job. But I went to school with people who will never be able to do any better than a minimum wage job. That is going to be it all their lives. And these people deserve a better life. They are working hard for it.

Thank you.

The CHAIRMAN. An excellent case.

[The prepared statement of Ms. Blankenship follows:]

My name is Rena L. Blankenship. I am a single parent with three living children ages 17, 13 and 12. My oldest son died in 1982.

In 1981 I worked for Zee Medical Supplies as a salesperson, earning minimum wage, plus $175 a month in child support. My take home pay was about 100 a week. I barely got by on a strict budget, which included many pinto bean and boiled potato dinners. At that time I was buying a three-bedroom house. The payments including insurance and taxes were $233 a month. This left me around $340; out of this utilities costs -- approximately $100, food -- approximately $175, and children's medicine -- approximately $65, left little for savings but I felt with careful planning and possible raises we had a secure future to look forward to.

In 1982 I was forced to give up my job, when it was discovered my oldest son, then 14 years of age, had a brain tumor. He needed 24 hour care and it was impossible to work and take care of his needs. It was during this time that my ex-husband stopped paying child support, but even if I had still gotten the $175 a month child support, it would not have gotten me very far. In order to pay the huge medical expenses and to care for him 24 hours a day, and since I had been unable to save any money and unable to afford medical insurance, I had no choice but to apply for welfare.

Being on welfare is an embarrassing and degrading experience for a person who is proud to be independent. You shop for food late a night so no one you know will see you using food stamps. You avoid old coworkers so they won't ask how you are paying your bills.

For a person on minimum wage who is barely keeping their head above water, any major expense, whether it be illness, fire or whatever, is the last straw. You have to get help. But even with the welfare check, food stamps and medical help with all the added expenses I was not able to get my house payments paid and my house was repossesed.

In a period of only ten months my son had three operations and spent most of that time in the hospital.

After my son's death, I was able to re-enter the work force again, working for Safeway food Store as Deli Clerk and made $3.55 an hour. I soon realized that I was getting nowhere fast. The harder I worked the farther behind I became in my bills.

It is very hard to explain to a child that even with Mom working a 40 hour work week there is no money left for new shoes that are very much needed.

Compared to 1981 when I paid housepayments of $233 monthly, I now pay $300 a month for an apartment without windows or heat. In 1981 our family doctor charged $10 a visit; today it exactly twice as much -- $20 a visit. I remember buying my son a winter coat in 1981 for $12. This past winter this same style coat, same brand from the same store cost $30.

When earning minimum wage I often had to make such choices as to pay a bill or buy food; often there was no money for medicine or doctor bills. I don't want to be on welfare, but I had no choice, and I am now on ADC again as it was impossible to live on $98 weekly take home pay (Gross $134 per week).

Last year my take home pay from my minimum wage fulltime job was $436 per month, compared to ADC which gives me $322 plus $235 for food stamps, plus all medical coverage -- or a total of $557. Out of minimum wage salary I must pay for transportation, clothes for work, plus children's medical expenses, whereas on welfare, medical expenses are covered and I don't have to put out the expense to go back and forth to work. So even though it is humiliating for me to be on welfare, it is the only practical thing to do in order to survive, especially with children to care for.

My daughter has had chronic health problems for the past nine years, resulting in approximately ten operations, daily medications, including allergy pills which cost .75 a pill or over $2.25 a day. For her last operation, the anesthesiologist bill alone was $500.

I realized that the only way I would be able to make a home for myself and my three children would be to get a job which pays above minimum wage. This would require further education and vocational training, so in March of this year I returned to school and got my GED. I am class valedictorian and plan to become a nurses assistant. At that time I can get off welfare again and support myself and my children while I become a radiologist.

I am lucky. I have the intelligence and opportunity to get enough education to be able to get a higher paying job. But there are people who will always be in a minimum wage job. These people deserve a better life.

The **Chairman**. Shirley, we will hear from you, and then maybe we will ask a few questions of both of you. We want to thank you very much for joining us here today.

Shirley Slagle.

Ms. **Slagle**. My name is Shirley Slagle. I am 37 years old, and my husband John is 38. We are both high school graduates. We live in Western Pennsylvania, and we have an 11-year-old son Derrick.

We both work for minimum wage in a small restaurant in our home town. We make $3.35 an hour. We do not wait on tables, and there is no opportunity for tips. I work three days a week, 12-hour days, for 37 to 40 hours a week. I usually go in for one short day to get my full 40 hours. My husband works either 9 to 5 or 9 to 7 to get his 40 hours for the week.

I started at this job nine years ago, at that time for minimum wage of $2.65 an hour, and the only increases I have received over the years have been when the minimum wage went up, the last one being six years.

My husband also works for the minimum wage, and he started at $2.95 an hour. He has been there for seven years.

We do have one benefit; we get a one-week paid vacation a year. And we have workmen's compensation for on-the-job injuries, and our boss supplies us with either a shirt or a smock, but the rest of the uniform we provide for ourselves, which is a good-quality working shoe, since we work on concrete floors, and we either buy slacks or bluejeans, whatever, to wear. We also clean our own uniforms.

My son has bronchial asthma. He was diagnosed as an asthmatic in about 1979; he was four years old. And his doctor recently put him on a restricted diet. He is supposed to have fresh fruits and vegetables; he is only to drink fruit juices; he is only to have foods sweetened with Nutrasweet, which includes any sodas or any kind of drinks that he has. This takes a big chunk out of my food budget, which usually averages about $35 a week, or $140 a month.

We also pay for two medications that he has to take four times a day in order to breathe properly. The two prescriptions run about $66 a month. He also takes one prescription that he takes twice daily, and it usually runs about $18 a month.

Then he has been seeing his doctor recently. Now, his doc[illegible] normally charges $35 an office call, but since he has been seeing my son every month since the first of this year, he has dropped it down to $18 a month. He knows we cannot go the rest of the way.

In October, I had Derrick to see a neurologist he was referred to by his asthma doctor after talking to his optometrist. They thought they had a medical problem in the eyes and in the brain. The end result was he was asked to have a CAT-scan done. This specialist said there was not any real problem, but he thought he really ought to keep an eye on Derrick every three months, there was enough concern there. But we just could not afford two specialists, so he does not see the neurologist any longer.

We are paying $25 a month on this hospital bill. It came to $524 for the emergency room treatment when we thought he broke his foot when he was outside playing, so I cut back one of his medications from four to three times a day. That gives us a little bit more money, not a lot, but a little bit.

He also has vision problems and is required to wear glasses. He is extremely far-sighted. And I go with a cheap frame to keep my expenses down. They usually run about $94 a year.

I have not had my eyes examined in three years. There just is not enough money for that. All three of us need to see the dentist, and there is nothing leftover for that either. Our medical expenses right now are just too high with the chronic condition.

During the month of May we did have a crisis. When I was cleaning the kitchen, my back slipped out of place. I could not walk, and John and my mother helped me get to the doctor. The initial visit was $27, and I saw him three times since, at $14 a visit. I lost 19 hours of work that week. Nineteen hours alone cost me over $63. The doctor visit cost me around $69, which I still have to go back. And he told me I had to get a better shoe than I was wearing for my job, and that cost me $35. So for last month's budget, we are already extended $160 over our present budget.

My husband, to keep us from losing too much wages, tried to work my 12-hour shift plus his 8-hour shift, and since part of them overlapped, we did lose the full 19 hours of work. I even went to work when I was not able to.

Financially, we are not able to enjoy recreational activities, such as movies, eating out, vacations, things most people take for granted. The last movie was seen by my husband and my son. The local theaters offered "Platoon" to the Vietnam veterans and their families for free. I was working that day, so I did not attend.

We have been taken out for our anniversaries and birthdays by somebody else as a treat, so we have eaten out upon occasion, but those are usually a treat by someone else. We do have a few luxury items. However, each of them becomes a necessity due to my son's asthma problems. We have an Atari video game that we bought to teach him eye and hand coordination because his visual problem when we discovered it was so bad that he could not tie his own shoes at eight years old.

We have a room air conditioner; my brother gave it to me. It is necessary because in the summertime when it is hot and it is humid, it gives my son a place to get away from all the heat and humidity. He cannot spend a lot of time outdoors on days like that.

We also have the cable television for the same reason. We live in a valley, in a mountainous region. TV reception without the cable is very poor. This way, at least he can watch a decent picture and not have to flip the stations and try to tune in.

So many of these things that most people take for granted, we bought after a long sacrifice, after a year or more to save up enough money to purchase these items.

A number of people feel that minimum wage jobs are held down mainly by teenagers or college students or people who do not have skills. I do have skills. I have worked in factories; I have belonged to a union for clothing workers. I had a job that at one time I made over $8 an hour. However, that factory closed, and there are 600 to 700 people out of work because that job is no longer in our area.

My husband also has skills. He was in the service of his country for almost nine years. He was head company clerk. He has typing skills, filing skills, general office work. But everywhere he went to put in a job for his skills, he was either over-qualified or underschooled. So it is not that we are not skilled workers; we are. We just are stuck in a minimum wage job because in our area, that is about all that is available.

We have tried looking for other jobs, and we have both been turned down. It has just been impossible. We are also ineligible to receive food stamps, any kind of medical assistance, even though we do have high expenses, and any kind of government housing programs because at minimum wage, we make as a family too much money. We have also checked into health insurance for the family at a cost of $200 a month—I do not know where I get that $200 from—and it will not cover any existing conditions. In other words, my son's health problems are already existing. If he gets the flu, if he gets a cold, it triggers the bronchial asthma, and insurance will not cover anything under those circumstances.

About two years ago, my son had a partially collapsed lung, and we took him to the hospital, but they did not admit him, they did not keep him. They really felt he should have been admitted, but we did not have any insurance, and the first thing they ask you is who is going to pay for this bill. We are. So they did not want to put us under a lot of financial strain. The emergency room fees alone are $89 the minute you walk in the door. That is before they do anything. That is before they even look at you and take your name; it is $89.

So they did not admit him, and I brought him home and took care of him. When he was four years old, he had the same problem. He ended up in the hospital for five days in an oxygen tent.

Our income barely meets our needs, but yet it is too high for us to receive any kind of help from programs that are designed to help the poor. I have thought a lot about our financial situation and the way it has affected my family life. At one time, it nearly caused my husband and I to split. We did not have enough money to come and go on, did not have enough money to enjoy some of the things. Tensions got high, and we almost broke the marriage up.

We came to terms with that, and we agreed that the best thing to do was to put the family first and live with termination notices, just to try to make a go of it. It is hard to talk about it; it is true, it happened. But we find a way to pay our bills. It takes months, a lot of times. You are months catching up when you have a crisis situation. So it does not matter what the outward appearance of a family is that is living on minimum wage; the emotional crisis is there just the same.

We have been asked by many people why we do not quit our jobs and go on welfare. I do not want to live on welfare. If I did, I would already be there, okay. But I do not want to live on welfare, and neither does my husband. We want to support our own family. It is difficult to continue to support the family on the amount of money we make, and if some kind of help does not come, we are just barely surviving now. If we do not soon get some kind of help, our income will not meet our outgoing money, and we will not be able to live on minimum wage, even with both parties working.

There are jobs out there, and there are many other people out there who are working and looking for work. But all that is available to us is minimum wage jobs. We cannot find anything else. It gives you enough to exist, but it does not give you a reasonable standard of living. There is nothing left over for you.

Thank you.

[The prepared statement of Ms. Slagle follows:]

PREPARED STATEMENT OF SHIRLEY SLAGLE

My name is Shirley Slagle. I am 37 years old and my husband John is 38. We live in Western Pennsylvania with our 11 year old son Derrick. My husband and I work for the same restaurant in our home town for $3.35 an hour, the job we do does not involve waiting on tables, therefore, we receive no tips. Both of us work 37 to 40 hours a week. I work 3 days for 12 hours each day and 1 short day to get 40 hours for the week. My husband usually works 9 to 5 or 9 to 7 to get 40 hours for the week. We each have a weekly take home pay of $84.00. I have worked for the same employer for 9 years and my husband has been there 7 years. I started at an hourly wage of $2.65 and my husband started at $2.95 per hour. The wage each of us started at was the minimum wage at the time we started working for the company. The only salary increases that we have received have been due to the changes in the Federal wage laws. The only benefits that we receive are 1 week of paid vacation a year, workman's compensation and the smocks or shirts that the employer purchases. We are required to provide the rest of the uniform which is either blue jeans or slacks of some kind and a good working shoe. We are also required to clean our own uniforms.

Our son has bronchial asthma, a chronic condition that requires a restricted diet that consists of fresh fruits and vegetables, unsweetened juices, and foods sweetened only by Nutrasweet. This means that whether these foods are in season or not we need to provide them for him. These foods are always more expensive and take a big bite out of our $35.00 a week food budget. We have to pay for 2 medications that he takes 4 times a day. These 2 prescriptions cost about $66.00 a month. He also takes 1 prescription twice a day that costs $18.00 every month. He has had to see the doctor every month for several months at a cost of $18.00 for each visit. The normal cost of a visit is $35.00, but because of our financial situation the doctor only charges us the $18.00.

In October Derrick began having severe headaches he was referred to a neurological specialist he had to have a cat scan done because of a possible neurological problem. The results were negative but there was enough concern that the specialist wanted quarterly visits. We couldn't afford 2 specialists therefore, Derrick no longer sees the neurologist.

We are paying $25.00 a month on this $524.00 hospital bill and the cost of the emergency room treatment when we thought he had broken his foot while playing. I cut one of his medications back from 4 to 3 times a day to help cut some of the expenses of his medication and give us a little more to live on.

My son also has severe vision problems and is required to wear glasses. This problem requires him to have his eyes checked and new glasses which cost about $94.00 a year. I haven't had my eyes reexamined in nearly 3 years because there isn't any extra money with Derrick's expenses. Even though all 3 of us need dental care, we must put off doing anything with our teeth unless it is an emergency. John, my husband has shrinking gums that were diagnosed by a dentist 6 years ago. Due to our already high medical expenses, we are unable to seek the needed dental care or preventive dental care.

During the month of May, my back slipped out of place when I was cleaning the kitchen at home. I couldn't walk and had to go the doctor to try to get it back in place. The cost of the first visit was $27.00. I had to go back 3 times since then at a cost of $14.00 each visit. He also told me that I needed to get better shoes for work. The kind of shoes that he recommended cost $35.00. I lost 19 hours of work that week. My husband had to try to work both shifts so that we didn't get too far behind on our monthly expenses.

Financially, we are unable to enjoy recreational activities such as movies, eating out, and vacations. The last movie that my family attended was the movie "Platoon". The local theatre offered a free showing to those who were Viet Nam veterans. The only time that we eat out is when someone treats on a special occasion such as an anniversary or a birthday. We do have a few of what you may call luxury items. However, each one of them becomes a necessity due to my son's health problems. The Atari video game that we purchased was acquired in order to deal with his lack of eye and hand coordination caused by his farsightedness. The room air conditioner was given to us by one of my brothers for my son's asthmatic condition. Derrick is unable to spend a great deal of time outdoors. We have cable television to provide entertainment for him because the reception in our town is very bad due to the mountainous area we live in. Many of these items taken granted were bought after a year long sacrifice and struggle to save up enough money for them.

A number of people feel that minimum wage jobs are held mostly by teenagers or college students working for extra spending money not to support a family. The people that we work with are all supporting or helping to support a family. We have both applied for other jobs and haven't been able to find other work at either a higher salary or with medical benefits. The employers seem to be interested in hiring people that are not working rather than people already employed at minimum wage. In addition, our area suffers from a high unemployment rate and many factories have closed in the last few years. Finding employment for me has been impossible.

We are ineligible to receive food stamps. We are ineligible to receive any assistance with our medical expenses through medical assistance. Medical insurance would cost us about $200.00 per month. About two years ago, my son went to the emergency room at the hospital for a partially collapsed lung. Even though the emergency room doctor felt that he should have been admiitted he was allowed to go home after some treatment because the emergency room staff didn't want us to have the additional worry of a large hospital bill. We are also ineligible for Food and Shelter programs offered within the county. The income that we earn barely meets our needs and yet it is too high to receive any type of help from government programs that are to help the poor.

I have thought about our finanacial situation and the way that it has affected our family life. At one time it nearly caused the break up of our marriage. Not having any extra money became more than we could handle on that emotional level. We had to come to terms with our situation and begin to put our lives in what we felt was a proper perspective. What we did was to begin to think about how much more important our family was then finances so that we could survive as a family unit. That was a very dark period in our lives and we decided that we wouldn't let finances come between us again. We would rather find a way to pay the bills and live with the termination notices. It isn't easy to talk about but, it happened. You can't live through year after year like this without facing some personal family crisis. It doesn't matter what the outward appearance is no person or family is that strong.

I have been asked why we didn't quit our jobs and go on welfare. We don't want to go on welfare. We want to support our own family. It is very difficult to continue to do this if the money we make from working doesn't provide us many of the basic needs for our family. If some sort of help does not come for those of us who are just barely surviving on minimum wage, we may soon be faced with expenses that will exceed our incomes. There are many of us out there that are working very hard for the wages we receive and yet it is not enough to maintain a reasonable standard of living.

The CHAIRMAN. I want to thank both of you very much. I think you have given the Committee and others who have listened to your testimony a real portrait into what is real life circumstance for millions of people who are dependent on the minimum wage to provide for themselves and members of their family.

Here, we have two individuals who want to work, have worked, have only gone on Aid for Dependent Children and food stamps when there has been a particular crisis in the family of medical needs, and people who have been trying to provide for their children.

Ms. Slagle's husband is a Vietnam veteran, and here are the two of them trying to make a go of it at the minimum wage. She portrayed very realistically what their budget figures were, the Consumer Price Index. We will include those in the record. What is interesting is that when you look at the two items which have gone up far beyond the average, they have been medical costs and food, absolutely essential issues for families that have children.

We all understand that those who are working at the minimum wage, at the lower levels of income, have more kinds of health care costs because their children generally are sicker. They are not getting the kind of nutrition that others are getting. And they get caught in this Catch-22, where they get sicker, and then they get less income to be able to cover for the children, and all of the stress that is placed upon the family.

Let me ask each of you one question. We heard a good deal from the Administration spokesman about if they raise the minimum wage, we do not want to see people who are working today lose their jobs. I will put in the statistics that indicate that the last three times we have raised the minimum wage, the prices have not gone up for the people who have been employing minimum wage people.

But I want to ask you personally, would you fear for your job if you thought that there was an increase in the minimum wage, just to respond to the increase in the Consumer Price Index, just to keep you level? We are not talking about a pay increase, but just to keep you level. Would you want me to vote that way, and would you be concerned that you might lose your job if we voted just to what we call around here "hold you harmless"—would you want us to raise the minimum wage just to keep up with the ordinary expenses? Would you fear for losing your job if we did that?

Ms. BLANKENSHIP. Oh, no. I do not think that people are going to lose their jobs because the minimum wage goes up. These people who have $25, $35 per week to spend at the grocery store, when the minimum wage is raised they are going to have more to spend. So I see no reason why anyone should lose their job.

The CHAIRMAN. What about you, Shirley?

Ms. SLAGLE. I do not think so, either. I do not think it is going to hurt them that much. The employers find other ways to cover the differences. They simply raise their prices a little bit. But it would give us more money to spend on the economy. It would go right back into it.

The CHAIRMAN. The last time we raised it, did some of your employers threaten you with potential loss of your job, Ms. Slagle?

Ms. SLAGLE. The last time it was raised?

The **Chairman**. Yes.

Ms. **Slagle**. Every time it has been raised, we have been supposedly going to lock the doors. It has not happened yet.

The **Chairman**. Well, I think you are the people we ought to listen to in terms of the danger of losing jobs, because you are the ones who are making the minimum wage. We hear a good deal of commentary about what is going to happen to you, and you are the people who have to provide for your families, and yours is the testimony that should count.

The Senator from Connecticut.

Senator **Dodd**. Thank you very much, Mr. Chairman, and I apologize for being a few minutes late. With your permission, I would ask to have my statement included in the record.

The **Chairman**. Yes, we will include it in the record.

OPENING STATEMENT OF SENATOR DODD

Senator **Dodd**. I want to thank our two witnesses as well. Too often in these hearings, we are confronted and deluged with statistics and numbers, and it is oftentimes difficult to put a little flesh on those numbers and find out actually what real people are confronting and living with. Your testimony is very, very helpful in that regard for those who pay attention.

What is important, I think, for people to understand is that you are not the aberration, you are not the exception, but rather, for the seven million people in this country who are living at the levels that you are economically, the problems are complex.

There is a notion that all we are talking about here is a wage coming in, not the expenses that go out. And tragically, in too many cases of people who are living at the minimum wage level with families, statistically we know that there are other problems, health care problems particularly, that compound the ability of families to make ends meet.

So you are here today not just telling two stories, but telling stories of what goes on far too often with people at that level. So I appreciate your being here.

I also think it is worthwhile to note that in the past, in Democratic and Republican Administrations, there has been a very slim gap if at all between the minimum wage and what the government says people need in order to survive. In fact, in the Sixties, the minimum wage was higher than the poverty level, and in the Seventies, roughly the same. We now find for the first time that we are running behind that. So we have got some catching up to do.

And for those who make the arguments that this is going to be costly, there is obviously the economic cost, and we will have to evaluate what that will be, and we will receive differing pieces of testimony. There is the human cost that is certainly associated with all of that, that we have to confront.

Too often in these discussions, we do not go beyond those number-crunching debates that confront us, and we do not think about the other costs. I would argue that there is a political cost, a serious political cost, if we fail to try and redress some of these imbalances.

I come from a very fortunate part of the country in these days. It has not always been the case. My home State of Connecticut ranks number one in the country today in terms of personal wealth. Every man, woman and child in the State of Connecticut is averaging an income hovering around $20,000 a year, or just a little less than $20,000 a year. That is the highest in the country.

In the midst of that great affluence, Hartford and New Haven, Connecticut rank as the fourth and seventh poorest cities in America. It is hard to explain to people why it is that in a State that has as much wealth that we also find ourselves with people who are some of the poorest in our country.

And what I fear that really gets discussed in these items is the political cost that confronts a nation when you have such tremendous disparity in wealth and opportunity for people. So beyond the particular hardships that you face, I hope at some point we will begin to address or at least focus some attention on what happens to a country when you end up with some people, as we pointed out the other day, with incomes of $20 million a year being paid to some individuals, the highest, and others who are trying to live on $84 a week, and what kind of a cost that raises for a nation that tries to remain free and democratic. And if people fail to understand that that is an important element in this country's future, then they have really missed a major point.

So I thank you for being here today. I really do not have any questions for you other than to say I appreciate your coming down. It is not easy. I do not think people appreciate it. It is not an easy thing to sit out here and spill out what goes on with every nickel and dime in your household income, particularly when you are living the way you are. It takes a certain amount of courage to do it, and for the other seven million or so who obviously are not here and cannot be here, I am sure they thank you very much for coming forward and talking about your families as intimately and as openly as you have.

Thank you, Mr. Chairman.

The CHAIRMAN. I think the best way that we can thank you is to insist, which I will, and Senator Dodd and others will, that the Senate vote on this issue, and they will, and hopefully, we are going to be sufficiently persuasive to persuade them to increase it. But we will give you the assurance that they will vote on it, and you will know, and the people in the States are going to know, where they stand on this issue. And you can be assured that we will do that; we will try and help.

We want to thank you very much.

Our next witness is the Honorable Jim O'Hara, former Congressman, Chairman of the Labor Subcommittee in the House. Jim has served as Chairman of the bipartisan Minimum Wage Study Commission appointed by Congress to answer many of the questions involved in this issue.

Also on the panel is Arthur Flemming, testifying for the Citizens Committee for a Just Minimum Wage. Among his many posts during a brilliant career, Arthur served as the Secretary of HEW in the Eisenhower Administration, and Chairman of the U.S. Commission on Civil Rights.

We are delighted to have you all here, and I would add a personal warm word of welcome as well. These have been good friends of mine, and we are delighted to have you here.

Jim, do you want to start off?

STATEMENT OF JAMES G. O'HARA, FORMER CONGRESSMAN AND CHAIRMAN, FEDERAL MINIMUM WAGE STUDY COMMISSION, WASHINGTON, DC; ARTHUR FLEMMING, CITIZENS COMMITTEE FOR A JUST MINIMUM WAGE, WASHINGTON, DC, ACCOMPANIED BY LEON SHAW, LEGISLATIVE DIRECTOR, FULL EMPLOYMENT ACTION COUNCIL

Mr. O'HARA. Mr. Chairman, thank you very much for this opportunity to appear before the Committee to discuss the work of the Federal Minimum Wage Study Commission which I had the privilege of chairing.

I have a brief prepared statement, Mr. Chairman, and I would like to ask unanimous consent that it be entered in the record.

The CHAIRMAN. It will be included in the record as if read.

Mr. O'HARA. Mr. Chairman, I firmly believe that when all of us are called to account for what we did when we were on Earth, we are going to have to answer not only for our individual actions, but for the society that we created while we were there. And the question is going to be did we or did we not create a just society. And that is what the Federal minimum wage law is all about—is it just for one human being to take the labor and the time of another without returning to that individual enough to permit them to live in some decency and with adequate clothing, food and shelter.

That is the question. The question is not some abstract issue of whether or not a minimum wage above the market-clearing wage will have a 1.2 percent effect upon employment or a 1.7 percent effect. It is not the question of whether it might raise the cost of living by two-tenths of one percent over a period of time or three-tenths of one percent. The question is a question of social justice and economic justice.

We have permitted the minimum wage, the floor that we place under wages, to fall to an abysmally low level. Historically, it has been set at about 50 percent of the average, non-farm, non-supervisory wage. It has fallen very much below that now, and your bill, Mr. Chairman, is a long overdue step to try to redress that balance and to provide some level of decent compensation to all of us.

The CHAIRMAN. Very good. Thank you.

[The prepared statement of Mr. O'Hara follows:]

STATEMENT OF
THE HONORABLE JAMES G. O'HARA
BEFORE THE
SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES

June 10, 1987

Mr. Chairman and Members of the Committee, my name is James G. O'Hara. I had the privilege of serving as Chairman of the Federal Minimum Wage Study Commission from 1979 to 1981. I welcome the opportunity to appear before you today because the proposed amendments to the Fair Labor Standards Act (S.837) are well-conceived and long overdue. At the same time, I commend the Committee for addressing an issue that arises passion on both sides and involves complex economic and legal questions. As Chairman of the Minimum Wage Study Commission, I fully appreciate the difficult task the Committee has before it in balancing those passions and cutting through that complexity.

I found, as Chairman of the Commission, that the passion and complexity often led to unnecessary confusion about what are the real questions in the debate over the minimum wage. Let me take a moment to share with the Committee what I learned the debate is not about.

First, it is not about the redistribution of wealth in our society. There are far more direct and effective ways, such as a negative income tax, to pursue this goal should society decide to do so. Our Commission specifically found that the minimum wage has only small effects on the distribution of income.

Second, the debate is not about economic boom or doom. The nation has "survived" several increases in the minimum wage with little adverse effect on employment or inflation. The Commission found such effects sufficiently minimal to recommend against a youth subminimum wage and in favor of indexing the minimum wage. By the same token, the Commission found that increasing the minimum wage would not have a major beneficial impact on the economy.

What the debate is about is reaffirming the basic premise of the Fair Labor Standards Act: to assure a floor below which wages will not fall, a floor that is adequate to support life in a measure of human dignity. Congress wisely established such a floor to balance the overwhelming advantage in bargaining power that employers enjoy, especially employers of workers in categories of labor at the minimum wage level.

S.837 would go a long way toward that reaffirmation. Of particular import is the provision to index the minimum wage rate according to the average private, nonsupervisory, nonagricultural wage. The Study Commission made precisely this recommendation because the current system has not maintained the purchasing power of the minimum wage. We concluded that "regular and predictable increases in the minimum wage would be noninflationary and would be easier for business to adjust to than the irregular increases of the present system."

Of the remaining recommendations of the Minimum Wage Study Commission, the legislation fails to reflect one which I consider of great significance and which I recommend to the Committee. The Commission concluded that the overall level of noncompliance with the Act was unacceptable. We recommended that Congress address this issue by attempting to increase the cost of noncompliance. In particular, the Commission suggested that the Congress consider increasing self-enforcement through legislation allowing private suits by aggrieved employees. This would create the type of private attorney general mechanism that increases the cost of noncompliance without increasing the cost of enforcement.

Mr. Chairman, the final report of the Minimum Wage Study Commission covers seven volumes and several hundred pages. We attempted to address in as dispassionate and thorough a fashion as possible every one of the many issues raised by both supporters and opponents of the Fair Labor Standards Act. The legislation before this Committee is consistent with and supported by the findings of the Commission. I look forward to its prompt passage.

Thank you very much. I will be glad to address any questions the Committee might have.

The CHAIRMAN. Mr. Flemming?

Mr. FLEMMING. Mr. Chairman, I appreciate very much the opportunity of appearing before you in connection with this bill. I am accompanied by Leon Shaw, who is the Legislative Director of the Full Employment Action Council and who helped me on the facts that are incorporated in my testimony.

I also have a prepared statement, which I would appreciate having entered in the record.

I appear in my capacity as Co-Chairman of the Citizens Committee for a Just Minimum Wage. I am also speaking for John Jacob, President of the National Urban League; Lane Kirkland, President of the AFL-CIO; and Coretta Scott King, President of the Martin Luther King, Jr. Center, all of whom serve as co-chairpersons with me on this Committee.

While the co-chairpersons have not had an opportunity to approve my specific testimony, they are all in support of S. 837.

I am also submitting a partial list of major national organizations that have endorsed S. 837, and I ask that this list of organizations be made a part of the hearing record.

Mr. Chairman, I listened with great interest to the testimony that has been presented to the Committee this morning, and I would like to associate myself with the statement that my colleague Congressman O'Hara has just made.

It was my privilege to know very well Archibald MacLeish, who many of us recognize as a great poet, but I also recognize as a great Librarian of Congress. When I was a member of the U.S. Civil Service Commission, he was serving in that capacity. I tried to work with him on some of his problems, and in that way we became close friends.

In the Fifties, he made a statement which I have tried to keep in front of me at all times as I have worked on these various issues. He said this: "We are deluged with facts, but we have lost or are losing our human ability to feel them. When the fact is disassociated from the feel of the fact in the minds of an entire people, that people's civilization is in danger."

As I listen to the presentation of testimony, as I listen to your questions, I just want to associate myself with you in stressing the fact that we must get back of these facts and recognize what is going on in the lives of the people that are represented by the facts.

I appreciate very, very much your inviting the two witnesses who preceded us to present the facts as far as their lives are concerned, and the impact of the minimum wage on their lives.

In 1938, when Congress adopted and President Roosevelt signed the Fair Labor Standards Act, this Nation declared that wages should not be allowed to fall below a decent wage floor. The minimum wage law was passed because history demonstrated that our economic system does not lead to minimal acceptable living standard for a substantial portion of the work force.

The fundamental purpose of the minimum wage is to set a wage floor below which wages cannot fall. Otherwise, the working poor will be exploited. And that has been the pattern since 1981. The purchasing power of the minimum wage has fallen 29 percent since

1981, due to inflation. It has also fallen relative to other wages and to the poverty line.

The minimum wage worker today, working 52 weeks, 40 hours per week, earns $6,900 per year. This is $1,700 below the poverty line for a family of three.

This is not a small problem, in spite of the effort to minimize it. There were seven million wage and salary workers at or below the $3.35 minimum wage. In addition, there are six million more slightly above that minimum. Two-thirds of minimum wage workers are over 20 years of age; there are 225,000 over the age of 65. Sixty percent of all minimum wage workers are women, 15 percent are black. It is a nationwide problem.

And as people discuss the impact of this, for example, on households where there is a single parent having responsibility for the household, the emphasis was put on only a fairly small percentage of people being involved. But as you pointed out, that only translates into 1.3 million households. And as the discussion proceeded, it seemed to me that the emphasis was on the impact on the head of the household. Well, there are other members of that household who also work, and on whom the household is dependent, and they are often working at the minimum wage. So that we have got to take into consideration the total household and the impact of the minimum wage on the total household.

I appreciate that one of the arguments that is made against raising the minimum wage is that increasing it will cause inflation. But as my colleague has already pointed out, we are dealing with a very small percentage here, and it does not seem to me that that is relevant to this question of justice and compassion as far as our society is concerned.

I think the study that he conducted showed at that particular time that it was increased something like point-three-tenths of a percent.

The CHAIRMAN. That is right.

Mr. FLEMMING. It seemed to me that if you weigh that in the balance and consider the positive impact of the minimum wage on the lives of persons, you dismiss it as something that is not relevant or significant.

Then I listened to this discussion on its impact on unemployment, and as I listened to the discussion based on previous studies and then listened to the discussion in the light of our changing work force, I am just wondering who there is that can make a firm prediction as to what impact this would have on employment in the light of the work force as it exists at the present time.

But I have also been interested to note that a good deal of stress has been placed on the impact on jobs for young people. When the last law was under consideration, the spokesman for the Chamber of Commerce testified that 390,000 teenagers would lose jobs if the higher minimum were enacted. But what happened? Instead of the predicted decline, when the first increase became effective in 1978, teenage employment rose by 382,000. In 1978, when the second stage of the four-step increase became effective, teenage employment registered another increase. When the 1980–81 recession hit the economy, unemployment rose for all workers. But interestingly, the rate of increase for teenagers was far lower than for adult workers despite the legislated increased minimum wage.

So that I appreciate that there is some risk involved in this, but I again join with Congressman O'Hara in stressing the fact that we are dealing with an issue of justice; we are dealing with an issue of compassion; we are dealing with an issue of fairness here. When one considers the fact that our system of government back in 1977 set the minimum wage at a particular level, saying that that was a fair level at that particular time and that now that level has decreased substantially, certainly it is important for our system of government to respond to what has happened and to rectify the situation that has developed over a period of the last five and a half and six years.

Of course, it is part and parcel of our backward movement in dealing with the issue of poverty, and the time has come for us to really begin to move in the opposite direction.

Mr. Chairman, in listening to the testimony, I gather that if you want to mark up a bill that would call for a very significant investment in public service jobs and training, you might get a unanimous vote out of this Committee.

Now, like you, I favor dealing with some of our issues in that particular way and always have favored it, but I just do not think that that is relevant to this particular issue. We have got an issue of justice before us, and it seems to me we have got to rectify the current situation in order to be consistent with our objective of being a just and compassionate society.

I will not get into the discussion on the desirability of a sub-minimum wage for young people, but as one who has spent a good many years in the field of education, that has always appealed to me as another form of discrimination on the basis of age, and I do not think there is any justification for setting up or building into law that kind of a discriminatory practice.

As I indicated earlier, the income of many of these young people is desperately needed by the households of which they are a part. Many of them are trying to earn money in order to deal with the spiraling costs of inflation at our educational institutions at the present time. That is another cost, incidentally, that has exceeded the inflation rate.

So that it seems to me that we as a nation should not consider moving into another discriminatory policy and doing it officially by discriminating against young people in this particular way.

Of course, we are already providing some incentives. As I understand it, employers can now receive 40 percent wage subsidy on $6,000 of wages for economically disadvantaged teenagers under the targeted jobs tax credit, and for summer employment, the tax rises to 85 percent.

Well, we could expand on programs of this kind.

Personally, also, I want to support the inclusion in S. 837 of the proposed provision to index the minimum wage starting in 1991 at 50 percent of the national hourly wage for nonsupervisory workers. The minimum wage is now 39 percent of the hourly wage, the lowest percentage of the average hourly wage since World War II. It was 47 percent in 1981. It averaged 50 percent from 1950 to 1970.

There is a strong historical precedent for setting the minimum wage at the 50 percent figure which would today be $4.37. I certainly concur in the provision in your bill for phasing in to the attainment of that particular goal.

But surely, indexing the minimum wage at 50 percent of the average hourly wage is a fair standard. It will protect the working poor from the ravages of inflation and permit the working poor to enjoy some of the return of the Nation's growth in productivity. It will also give the working poor some modest but desirable increases in their standard of living.

Gunner Mierdahl in his book, "The American Dilemma"—a person whose death we mourned just a few weeks ago—referred to the struggle for the soul of America. Mr. Chairman, you and your colleagues have been engaged in that struggle in many areas, but I think that this is another area where we are engaged in a struggle for the soul of America, and I appreciate the leadership that is reflected in the introduction of this bill and in the hearings, and I certainly hope it will be reported out, and I certainly hope that the Senate of the United States will rectify a grievous wrong.

[The prepared statement of Mr. Flemming follows:]

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(202) 822-7708

TESTIMONY BY ARTHUR FLEMMING

on behalf of

THE CITIZENS COMMITTEE FOR A JUST MINIMUM WAGE

before

THE U.S. SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES

JUNE 10, 1987

Mr. Chairman, I thank you for the opportunity to appear before the Senate Committee on Labor and Human Resources in support of S. 837, the Minimum Wage Restoration Act of 1987. I am appearing in my capacity as Co-Chairman of the Citizens Committee for a Just Minimum Wage. I am also speaking for John Jacob, President of the National Urban League, Lane Kirkland, President of the AFL-CIO, and Coretta Scott King, President of the Martin Luther King, Jr. Center, all of whom serve as Co-Chairpersons with me on the Citizens Committee for a Just Minimum Wage. While the Co-Chairpersons have not had an opportunity to approve my specific testimony this morning, they are all in support of S. 837.

I am submitting a partial list of major national organizations that have endorse S. 837. I ask that the list of organizations be made a part of the hearing record.

In 1938, when Congress adopted and President Roosevelt signed the Fair Labor Standards Act, this nation declared that wages should not be allowed to fall below a decent wage floor. The minimum wage law was passed because history demonstrated that our economic system does not lead to minimal, acceptable living standards for substantial portions of the work force.

The fundamental purpose of the minimum wage is to set a wage floor below which wages cannot fall. Otherwise, the working poor will be exploited, and that has been the pattern since 1981. The purchasing power of the minimum wage has fallen 29% since 1981 due to inflation. It has also fallen relative to other wages and to the poverty line.

The minimum wage was last increased in January 1981 to $3.35 per hour. Since 1981 the cost of living has risen 29%. Today the 1981 minimum wage level of $3.35 is worth only $2.38. It is this shrinkage in the value of the minimum wage which makes imperative prompt corrective action by this Congress.

Look at the consequences of the failure of Congress since 1981 to take action. Not only is the wage worth on $2.60 in goods and services compared to what $3.35 bought in goods and services in 1981, but the relationship between the minimum wage and the poverty line has changed drastically for the worse.

A minimum wage worker today working 52 weeks, 40 hours per week, earned $6,968 per year. This is below the poverty line for a family of two ($7,138), and $1,776 below the poverty line for a family of three ($8,744). Far different was the minimum wage/poverty line relationship in the 1960's and the 1970's. During the 1960's the minimum wage worker earnings were greater than the poverty line for a family of three. During the 1970's, minimum wage earnings averaged above the poverty line for a family of three.

However, during the last six years a full time minimum wage worker averaged 12% below the poverty line for a family of three. 1986 figures are even more distressing -- showing a 20% shortfall.

The result of keeping the minimum wage at $3.35 is that a single parent earns at the minimum wage $580 per month, which is less than the poverty allowance for food and housing without taking into account the needs of clothing, medical needs and transportation.

Congressional inaction permitted the situation to get worse: only action by Congress can correct this intolerable course.

This is not a small problem. In 1986, there were 7 million wage and salary workers at, or below, the $3.35 minimum wage. In addition there are 6 million more workers slightly above the $3.35 minimum.

I have attached to this testimony a chart showing what has happened to the value of the minimum wage. I ask that it be put into the record.

Two thirds of minimum wage workers are over 20 years of age. There are 225,000 over the age of 65. Sixty percent of all minimum wage workers are women. Fifteen percent are black. It is a nationwide problem.

REGION	ALL WORKERS	MINIMUM WAGE WORKERS
Northeast	20%	15%
South	33%	40%
Midwest	27%	28%
West	20%	16%

If this were a problem only of minorities and youth, I would still strongly urge you to take prompt action to pass S. 837. However, it is clear that the largest group affected are in their prime working age - 20 to 65 and are not minority workers! Furthermore, it is not a problem that affects just the "old industrial states" but rather the entire country.

A major argument made against raising the minimum wage is that increasing the minimum wage causes inflation. This was one of the issues studied by the Minimum Wage Study Commission and reported on in 1981. This Commission was composed of business, labor and public members and was chaired by Former Congressman James G. O'Hara.

After thorough study, the Commission found that if the minimum wage had been raised at a 10% annual rate from 1974 to 1979, consumer prices would have increased less than 0.3%. During that period inflation was 9.3%. Indeed the Commission found that a one time increase in the minimum wage rate would be dissipated in 1.5 years.

The simple fact is that the vast majority of workers earn more than the minimum wage so that the minimum wage at worst has a minuscule effect on inflation. The working poor should not be asked to bear the burden in the fight against inflation.

Another argument against raising the minimum wage is that it causes unemployment. History has not been kind to those who use this argument. Six times the minimum wage has been raised and six times the predicted dire consequences did not ensue. This question was also studied by the Minimum Wage Study Commission. The Commission said "...it is not clear" that the minimum wage increases unemployment, but even if it did "the amount may be so small compared to total adult unemployment that it will not be detected with precision."

The Commission did report that a 1981 study concluded that State minimum wage laws did not affect individual state employment in the retail and wholesale trades.

We can only conclude that the minimum wage plays such a minuscule role, if any, in causing unemployment, that this argument is without merit. We are all concerned with the high unemployment that has plagued this country for many years, but surely the working poor and the low income workers should not asked to carry the burden. There are better and more just ways to deal with unemployment.

An effort may be made to add a youth subminimum wage to the bill. I urge the Committee to reject such a proposal as unfair. It is doubtful that a subminimum youth wage would have a significant effect on youth unemployment, and any increase in youth employment would come at the expense of adult unemployment. The value and thus the cost to employers of the minimum wage has fallen 29% since the youth subminimum wage was proposed in 1981; the number of youth entering the labor market has declined, yet teenage unemployment, especially among minority youth, has remained high. Youth unemployment problems are not going to be solved by cutting the minimum wage.

Indeed a youth subminimum wage is already in effect for some youth. Since 1981, employers have been able to hire full-time students at 85% of the minimum wage if they work less than 20 hours a week, Further, employers can receive a 40% wage subsidy on $6,000 of wages for economically disadvantaged teenagers under the Targeted Jobs Tax Credit, and for summer employment the tax credit rises to 85%.

A general youth subminimum age set at 75% according to the Minimum Wage Study Commission while creating 400,000 new youth jobs would cost up to 150,000 adult jobs. Most of the displaced adult workers are likely to be minimum wage workers themselves. Why should the adult working poor have to pay the heavy burden of society's failure to deal with youth unemployment? The youth subminimum wage is, by any standard, an unfair and inequitable proposal. There are better and more equitable ways than a subminimum wage to solve the very real youth employment problems that do exist.

Finally, I wish to comment on the inclusion in S. 837 of the proposal to index the minimum wage starting in 1991 at 50% of the national hourly wage for nonsupervisory workers.

The minimum wage is now 39% of the average hourly wage. It is now at the lowest percentage of the average hourly wage since World War II. It was 47% in 1981. It averaged above 50% from 1950-1970. There is every historical precedent for setting the minimum wage at the 50% figure which today would be $4.37. However I support, as S. 837 proposes, a more gradual rise until it reaches that figure in 1991 as a prudent path to follow.

Surely indexing the minimum wage at 50% of the average hourly wage is the fairest path to follow. It will protect the working poor from the ravages of inflation, and permit the working poor to enjoy some of the returns of the nation's growth in productivity. It would also give the working poor some modest but desireable increases in their standard of living.

We like to think of our society as being just and compassionate. We also want to keep the working poor working, and their families united. We want the working poor to know that there is more return in working than welfare. The best way to do this is to guarantee the working poor a living wage. The thirteen million workers who work at minimum wage, or just below plus those just above the minimum wage, play a significant role in gaining a better standard of living for their families. We know that at least 1.2 million of these workers are heads of families while a large percentage of the others contribute enough to their family incomes to raise them above the poverty line.

However, unless S. 837 passes and becomes law, the value of the minimum wage will continue to diminish and will contribute to a continued growth of families living in poverty. On behalf of the Citizens Committee for a Just Minimum Wage, I urge the U.S. Senate to take prompt action to pass S. 837.

LIST (PARTIAL) OF ORGANIZATIONS SUPPORTING MINIMUM WAGE RESTORATION ACT
S. 837 - H.R. 1834

AS OF JUNE 5, 1987

A. Philip Randolph Institute

Alternative Schools Network

American Federation of Labor-Congress of Industrial Organizations (AFL-CIO)

American Jewish Congress

American Veterans Committee

Americans for Democratic Action

Association of Community Organizations for Reform Now

Bread for the World

Catholic Charities, USA

Center for Community Change

Childrens Defense Fund

Church Women United in Greater Washington

Citizens Committee for a Just Minimum Wage

Coalition of Labor Union Women

Communications Workers of America

Farm Workers Justice Fund

Food and Allied Service Trades

Friends Committee on National Legislation

Full Employment Action Council

General Board of Church and Society of the United Methodist Church

Industrial Union Department

Interfaith Action for Economic Justice

Jewish Labor Committee

Lutheran Office for Governmental Affairs

National Puerto Rican Forum
National Association of Community Action Agencies
National Association for the Advancement of Colored People
National Association for Social Workers
National Community Action Foundation
National Council of Jewish Women
National Council of Senior Citizens
National Council of the Churches of Christ in the United States
National Education Association
National Farmers Union
National Unemployed Network
National Urban League
NETWORK
Presbyterian Church USA - Washington Office
Public Employees Department, AFL-CIO
Rural Coalition
Service Employees International Union
Unitarian Universalist Association of Churches
United Church Board for Homeland Ministries
United Church of Christ - Office for Church in Society
United Methodist Church, Board of Church and Society
United Mineworkers of America
U.S. Student Association
U.S. Catholic Conference
Wider Opportunities for Women
Women's Equity Action League
Women's National Democratic Club
Youth Service America
YWCA of the USA, National Board

Appendix. The value of the minimum wage

Year	Current dollars	1986 dollars	Percent of avg. wage	Percent of poverty line Family of 3	Percent of poverty line Family of 4
1950	$ .75	$3.42	56.0%	81.3%	63.5%
1951	.75	3.17	51.7	75.3	58.9
1952	.75	3.10	49.3	73.7	57.6
1953	.75	3.07	46.6	73.2	57.2
1954	.75	3.06	45.5	72.8	56.9
1955	.75	3.07	43.9	73.1	57.1
1956	1.00	4.03	55.6	96.0	75.0
1957	1.00	3.90	52.9	92.7	72.4
1958	1.00	3.79	51.3	90.2	70.5
1959	1.00	3.76	49.5	89.5	70.0
1960	1.00	3.70	47.8	88.2	68.8
1961	1.15	4.21	53.7	100.4	78.3
1962	1.15	4.17	51.8	99.2	77.4
1963	1.25	4.48	54.8	105.1	83.1
1964	1.25	4.42	53.0	107.7	82.0
1965	1.25	4.34	50.8	103.4	80.7
1966	1.25	4.22	48.8	100.0	78.4
1967	1.40	4.60	52.2	109.4	85.4
1968	1.60	5.04	56.1	120.0	93.7
1969	1.60	4.79	52.6	113.8	88.9
1970	1.60	4.52	49.5	107.4	83.9
1971	1.60	4.33	46.4	103.1	80.4
1972	1.60	4.19	43.2	99.7	77.8
1973	1.60	3.95	40.6	93.8	73.3
1974	2.00	4.45	47.2	105.7	82.6
1975	2.10	4.28	46.4	101.7	79.4
1976	2.30	4.43	47.3	105.4	82.3
1977	2.30	4.16	43.8	99.0	77.3
1978	2.65	4.45	46.6	106.0	82.7
1979	2.90	4.38	47.1	104.3	81.4
1980	3.10	4.12	46.5	98.2	76.6
1981	3.35	4.04	46.2	96.1	75.0
1982	3.35	3.81	43.6	90.6	70.7
1983	3.35	3.69	41.8	87.8	68.5
1984	3.35	3.54	40.3	84.2	65.7
1985	3.35	3.41	39.1	81.3	63.4
1986	3.35	3.35	38.3	79.8	62.2
Average					
1950s	.85	3.44	50.2	81.8	63.9
1960s	1.29	4.40	52.2	104.6	81.7
1970s	2.07	4.31	45.8	102.6	80.1
1980s	3.31	3.71	42.3	88.3	68.9

SOURCE: Center for Social Policy Studies, based on Department of Labor and Census Bureau figures.

The CHAIRMAN. Thank you, Dr. Flemming.

I want to put in the record the list of the organizations supporting this minimum wage restoration, and it is perhaps appropriate to mention just a few of them after Dr. Flemming mentioned about "the soul of the country" because they include alphabetically, although this is a partial list, Catholic Charities, Children's Defense Fund, the General Board of Church and Society of the United Methodist Church, the Lutheran Office for Governmental Affairs, National Association for the Advancement of Colored People, National Urban League, the Presbyterian Church, United Church of Christ, United Catholic Conference.[1]

These groups have been on the cutting edge of the issues of social justice for the 25 years I have been in the Senate, and they cannot be less interested in what is going to be the quality of life for the people that they are looking out after, raising this issue as a moral issue. They have spoken on so many of these questions, and they have come down foursquare in terms of supporting the increase.

I cannot believe that they are not aware of these arguments that have been made in opposition to any increase in the minimum wage, because they are the same arguments that have been made for 50 years, Mr. Flemming and Congressman O'Hara.

I really have just one question for you, although it is three parts, Jim, and then one question for Mr. Flemming.

The three arguments that are made are, one, you have mentioned that it will cost in terms of jobs; it will cost in terms of inflation, and it will adversely affect the young people in our country. Those are three items which your Commission looked at.

I am wondering if just in a summary way—and we will accept later on perhaps a more detailed response for the record—but what did your Commission find out in addressing those, because those are the arguments we have heard again today, and we have heard since this issue was raised 50 years ago. You looked into them, did an historical analysis. Just in a brief way, what did your Commission find out?

Mr. O'HARA. Well, what we found out on those subjects, Mr. Chairman, is that regardless of the choice of wage measures or the choice of time periods or the choice of models, we did find that a 10 percent increase in the minimum wage did reduce teenage employment by about one percent. There is no avoiding that, nor would I wish to avoid it, because the minimum wage is designed to put a floor under wages, and some people might be hired at rickshaw wages who might not be hired if they were required to be paid at a decent wage.

Likewise we found that a 10 percent increase in the minimum wage reduced young adult employment, as distinguished from teenage employment—young adult being age 20 through 24—reduce it by a quarter of one percent, which is only one-fourth as much. And I think both of these figures are quite small.

We also found in terms of the inflationary effect that the effect of a 10 percent sustained annual rise in the minimum wage over the historical level of 1974, which is what we chose, to the second

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[1] See list of organizations attached to Mr. Flemming' prepared statement.